

To: The Company Secretary

National Grid House  
Warwick Technology Park  
Gallows Hill, Warwick  
CV34 6DA

**Direction issued to National Grid Electricity Transmission plc by the Gas and Electricity Markets Authority pursuant to paragraph 4G.4 of Special Condition 4G of National Grid Electricity Transmission plc's electricity transmission licence**

**Whereas**

This Direction is issued to National Grid Electricity Transmission plc ("the Licensee") by the Gas and Electricity Markets Authority ("the Authority") pursuant to paragraph 4G.4 of Special Condition 4G (Black Start Cost Incentive) ("SC 4G") of the Licensee's electricity transmission licence ("the NGET Licence") treated as granted under section 11A (2) of the Electricity Act 1989 ("the Act").

Paragraph 4G.2 of SC 4G provides that the Authority has directed that for the purposes of paragraph 4C.40 of Part L of Special Condition 4C (Balancing Services Activity Revenue Restriction on External Costs),  $BSTC_t$  shall take the values set out in Table 1 below, unless revised in accordance with paragraph 4G.4. This direction revises the value of  $BSTC_t$  as per paragraph 4G.4, to:

Table 1

Relevant Year	$BSTC_t$
1 April 2015 to 31 March 2016	£22.35 million
1 April 2016 to 31 March 2017	£34.74 million

Paragraph 4G.3 of SC 4G provides that the Licensee may prepare and submit to the Authority proposals for revisions to the value of  $BSTC_t$  which is to be applied in the Relevant Year 2016/17 by 31 December 2015. The proposed revisions should reflect any increase or decrease in the costs that the licensee expects to incur in that Relevant Year in respect of:

- (a) Warming generators that are contracted to provide a Black Start service;
- (b) Capital Contributions to providers of Black Start services; and
- (c) Contracts for the availability of Black Start services.

Paragraph 4G.4 of SC 4G gives the Authority the power to approve some or all of any such proposed revisions and to direct any changes to the value of the  $BSTC_t$  by 31 March 2016. The relevant changes to the value of  $BSTC_t$  shall be deemed to be included in Table 1 of paragraph 4G.2 by virtue of such a direction.

In December 2015 the licensee submitted to the Authority its proposals for the revision of  $BSTC_t$  in accordance with paragraph 4G.3 of SC 4G.

In total the licensee proposed to revise the value of  $BSTC_t$  for the Relevant Year 2016/17 to £46.23 million, representing an increase of £23.88 million from the provisional  $BSTC_t$  figure of £22.35 million.

The Authority has considered the above proposal and evidence submitted by the Licensee and has approved the Licensee's proposal for a revised target of £34.74 million. The Authority has determined that this approval is conditional on the Licensee providing clear evidence to the Authority that it has finalised contracts in line with its proposals and within the period from 1 April 2016 to 31 March 2017.

**Now**, the Authority hereby directs pursuant to paragraph 4G.4 of SC 4G that  $BSTC_t$  shall take the value of £34.74 million subject to the Licensee providing to the Authority clear evidence that it has agreed contracts in line with its proposals and within the period from 1 April 2016 and 31 March 2017.

This Direction shall have effect from 1 April 2016.

Further details of the Authority's reasons for making this Direction are set out in the following document:

"Black Start Mid-Scheme Target update: Decision Letter", Ofgem, 31 March 2016.

This document is available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at ([www.ofgem.gov.uk](http://www.ofgem.gov.uk)).

**Mark Copley**

**Associate Partner, Wholesale Markets**

Duly authorised on behalf of the Gas and Electricity Markets Authority

**31 March 2016**