

The Company Secretary
National Grid Electricity
Transmission plc
1-3 Strand London WC2N 5EH

Direction issued to National Grid Electricity Transmission Plc (NGET) by the Gas and Electricity Markets Authority pursuant to paragraph 4K.8 of Special Condition 4K of NGET's Electricity Transmission Licence

1. Paragraph 4K.8 of Special Condition 4K of National Grid Electricity Transmission Plc's (NGET) electricity transmission licence places an obligation on NGET to submit for Authority approval the Supplemental Balancing Reserve (SBR) operational methodology on the next day following the licence conditions coming into effect unless otherwise directed by the Authority.
2. The SBR operational methodology has the purpose of determining that testing, instructing availability and utilisation of this service is economic and efficient, including that it provides value for money to consumers in Great Britain.
3. On 23 November 2015 we directed the extension of the cost recovery arrangements and set the date for NGET submission of the SBR operational methodology under paragraph 4K.8 by 31 March 2016.
4. Following discussions with NGET, it has become clear that there is a benefit to consumers of allowing it to submit the SBR operational methodology at a later date. This would give NGET more time to take into account the discussions it is having with industry on the appropriate market warnings signals. Consumers would then benefit from clearer and more robust methodologies. To maximise the benefit to consumers, we encourage NGET to engage with industry on how it intends to warm, test and use SBR so as to minimise the effect of delayed visibility on how this service would operate.
5. These services can only be used in winter so a later submission date does not create uncertainty on cost recovery for NGET. We would still aim to make our decision on the operational methodologies ahead of this winter.
- 6. The Authority therefore directs that NGET submits the SBR operational methodology in accordance with paragraph 4K.8 of Special Condition 4K of the electricity transmission licence by 31 August 2016.**

Dated: 31 March 2016

Emma Kelso

Partner, Wholesale Markets

For and on behalf of the Gas and Electricity Markets Authority