

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 paragraphs 4G.5 and 4G.6 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.5 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.5 of SC 4G provides that the Licensee may prepare and submit to the Authority a notification of any costs incurred as a result of payments to New Providers in respect of Feasibility Studies in Relevant Year 2015/16 by 31 March 2016. The costs can be recovered by means of BSFSt under the term BXextt in paragraph 4C.1 in Part A of Special Condition 4C.

Paragraph 4G.6 of SC 4G gives the Authority the power to approve some or all of any such proposed costs and to direct any changes to the value of the BSFSt within three months where it is satisfied that the payments were, or will be efficiently incurred and will provide long term value for electricity consumers.

On 31 March 2016 the licensee submitted to the Authority its notification for the costs incurred in respect of Feasibility Studies under BSFSt in accordance with paragraph 4G.5 of SC 4G.

In total the licensee proposed to revise the value of BSFSt for the Relevant Year 2015/16 to be £472,064.86 (excluding Value Added Tax).

The Authority has considered the above proposal and evidence submitted by the Licensee and has approved the Licensee's proposal for a revised value for BSFSt of £472,064.86.

Now, the Authority hereby directs pursuant to paragraph 4G.6 of SC 4G that BSFSt shall take the value of £472,064.86.

This Direction shall have effect from 1 July 2016.

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

"Black Start Feasibility Study Notification: The Authority decision", Ofgem, 30 June 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).

Mark Copley

Associate Partner, Wholesale Markets

Duly authorised on behalf of the Gas and Electricity Markets Authority

30 June 2016