

Direction issued to National Grid Electricity Transmission plc (NGET) by the Gas and Electricity Markets Authority (the Authority) pursuant to Part H of Special Condition 4K of NGET's Electricity Transmission Licence

1. The objective of Special Condition 4K of NGET's Electricity Transmission Licence is to establish arrangements to determine the allowed revenue derived from procuring and using Demand Side Balancing Reserve and Supplemental Balancing Reserve for the purposes of the Balancing Services Activity that the licensee may recover in each Relevant Year.
2. Part H of Special Condition 4K requires NGET to submit a notice to the Authority by 31 March of the relevant year setting out all of the costs it considers, and can provide supporting evidence that, it has incurred in respect of that Relevant Year.
3. Paragraph 4K.25 and 4K.34 of Special Condition 4K states that the Authority has 28 days, from receipt of the notice, if it wishes to make a direction that the recovery of these costs be adjusted.
4. Paragraph 4K.23 and 4K.32 of Special Condition 4K provides that if the Authority considers that, taking account of:
 - (a) the nature and extent of the information and analysis provided to it by the licensee in accordance with paragraph 4K.21, 4K.29 or 4K.30,
 - (b) the nature and extent of any further information and analysis provided to it in response to a direction under paragraph 4K.22 or 4K.31,
 - (c) the materiality of the costs incurred, it requires further time to reach a determination, it may by way of a direction extend the deadline for determination provided for in paragraph 4K.25 and 4K.34.
5. On 26 April 2016, the Authority issued a direction extending the determination to the end of June.¹
6. Following its direction, the Authority sought further information from NGET on the costs it incurred and how these were compliant with the methodology. We have assessed this information, which raised a number of subsequent questions.
7. We have been working with NGET on those questions and received an additional document from NGET on 30 June 2016.
8. As such, the Authority considers that it requires further time for its determination to allow it to make a full assessment of the costs incurred following submission of further information

¹ <https://www.ofgem.gov.uk/publications-and-updates/direction-extension-determination-contingency-balancing-reserve-costs>

by NGET. The Authority also believes that this is appropriate given the materiality of these costs.

9. The Authority hereby directs:

- (a) Under paragraph 4K.23 and 4K.32 of Special Condition 4K that the Authority amends its direction on 26 April for an extension for determination to 8 July 2016.**

Emma Kelso

Partner, Wholesale Markets

Duly authorised on behalf of the Gas and Electricity Markets Authority

Dated: 30 June 2016