



Making a positive difference
for energy consumers

Company Secretary
National Grid Electricity Transmission plc
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Date: 10 August 2016

Dear Sir or Madam

Consent and Direction granted and issued to National Grid Electricity Transmission plc (NGET) under Special Condition 2N (Electricity Market Reform)

On 7 July 2016 NGET wrote to us requesting Consents relating to two activities that would otherwise be prohibited under Special Condition 2N (Electricity Market Reform) (SpC 2N) of NGET's Electricity Transmission Licence and EMR Compliance Statement.

Given the unique circumstances set out below, we have decided to grant a Consent and issue a Direction and these are attached to this letter. Our reasons for the Consent and Direction are set out below.

Consent granted under paragraph 2N.9 of Special Condition 2N

SpC 2N.9(b) prohibits members of the EMR Administrative Team (EMRAT) from being simultaneously engaged in other activities of NGET. One of the EMRAT Delivery Managers resigned to take up a new post at one of the 'Relevant Other Competitive Businesses' (ROCB). So rather than EMRAT's usual three month notice period applying, the requirements of SpC 2N meant he had to be moved outside of the EMR 'ring-fence' immediately. EMRAT recruited a replacement from the System Operator (SO). However, the replacement is required to complete various tasks relating to her previous role. In order to avoid a prolonged vacant post in the EMRAT at a busy time of the year, EMRAT asked us to issue a Consent to allow the new Delivery Manager to work 20% of her time in her old SO role (in the Contingency Balancing Reserve team) from 19 July to 1 September 2016.

NGET will ensure that the new EMR Delivery Manager will be subject to all the usual requirements in SpC.2N and the Compliance Statement. She will be briefed fully on compliance with SpC 2N, be subject to the code of conduct and will sign the EMR non-disclosure agreement. In addition, she will not take part in stakeholder engagement in both teams until she moves full-time to EMRAT.

Given the protections that are in place, and unique circumstances (NGET losing an EMR Delivery Manager with no notice shortly before prequalification for three¹ auctions begins,

¹ From 2017 we expect two prequalification exercises each year (for the T-4 and T-1 auctions). This year there are three concurrent prequalification processes as in addition to a T-4 auction and a Transitional Arrangements auctions there is also the Early Capacity Auction.

and the replacement being required to complete tasks related to her current role), we have decided to issue a Consent.

Direction issued under paragraph 2N.14 of Special Condition 2N

In preparing for receiving applications for prequalification for three auctions, EMRAT identified a need for ten additional temporary staff from mid-July to mid-October 2016. The SpC 2N EMR Compliance Statement states that the 'peak EMR administrative team' will only be sourced from the SO and will return to the SO.

As it is not possible for the EMRAT to get ten temporary staff from the SO for three months, EMRAT wants to recruit from an agency. EMRAT has proposed taking a number of actions to mitigate any risk (eg that data is passed outside of the EMRAT team) that could result from this recruitment. The externally recruited temporary staff will: not be able to use portable media; have limited email access; and will not be able to use printers. This is in addition to the safeguards (including signing confidentiality agreements) required by SpC 2N and the EMR Compliance Statement.

Given the unique circumstances of EMRAT running prequalification for three auctions at the same time and the steps they have said they will take to mitigate risks in addition to the usual safeguards, we are of the view that allowing the recruitment of temporary staff on this occasion is appropriate.

We have decided to issue a Direction that will allow this activity. It will also require NGET's Business Separation Compliance Officer to monitor the recruitment activity at the ROCBs and report in the 2017 Compliance Report on whether any of the temporary staff were subsequently hired by a ROCB within three months of leaving the EMRAT.

Both the Consent and the Direction are attached to this letter.

While we have decided to grant a Consent and issue a Direction in this case, we would be unlikely to grant Consents or issue Directions where the need for them arose from a lack of planning or failure to secure sufficient resources to remain resilient to staff changes.

Yours sincerely,

Philippa Pickford
Associate Partner, Wholesale Markets
Duly authorised on behalf of the Gas and Electricity Markets Authority

CC'd by e-mail: John Prime, Dianne M Burke

Attached:

Consent granted by the Gas and Electricity Markets Authority under paragraph 2N.10 of Special Condition 2N (Electricity Market Reform) of National Grid Electricity Transmission plc's Electricity Transmission Licence

Direction issued by the Gas and Electricity Markets Authority under paragraph 2N.14 of Special Condition 2N (Electricity Market Reform) of National Grid Electricity Transmission plc's Electricity Transmission Licence

Consent granted by the Gas and Electricity Markets Authority under paragraph 2N.10 of Special Condition 2N (Electricity Market Reform) of National Grid Electricity Transmission plc's Electricity Transmission Licence
Whereas:

1. National Grid Electricity Transmission plc ("the Licensee") is the holder of an Electricity Transmission Licence ("the Licence") treated as granted under section 6 of the Electricity Act 1989 ("the Act").
2. On 7 July 2016, the Licensee requested that the Gas and Electricity Markets Authority ("the Authority") grant a Consent, pursuant to paragraph 2N.10 of Special Condition 2N (Electricity Market Reform) of the Licence ("SpC 2N.10"), to allow a member of the EMR Administrative Team ("EMRAT") to be simultaneously engaged in an activity of the Licensee other than those permitted under sub-paragraph 2N.9(b) of Special Condition 2N ("SpC 2N.9(b)"). Being engaged in activities other than those permitted under SpC 2N.9(b) is prohibited without the consent of the Authority.

Reason for the Authority's decision to grant a Consent

3. The Authority considers that it is appropriate to grant a Consent to the Licensee to allow the member of EMRAT named in writing on 7 July 2016 from the Licensee to the Authority to be simultaneously engaged in an activity of the Licensee other than those permitted under SpC 2N.9(b) for the reasons set out in the accompanying letter.

Now therefore:

4. The Authority grants a Consent under SpC 2N.10 to the Licensee to allow the member of EMRAT named in writing on 7 July 2016 from the Licensee to the Authority to be simultaneously engaged in EMRAT and the System Operator's Contingency Balancing Reserve Team.
5. This Consent has effect on and from 19 July 2016 and shall remain in effect until 1 September 2016 or until the Authority decides to revoke or amend the Consent in writing upon reasonable notice to the Licensee.
6. This document also constitutes notice for the purposes of section 49A of the Act in relation to the Consent.

Signed:

Date: 10 August 2016

Philippa Pickford
Associate Partner, Wholesale Markets
Duly authorised on behalf of the Authority

Direction issued by the Gas and Electricity Markets Authority under paragraph 2N.14 of Special Condition 2N (Electricity Market Reform) of National Grid Electricity Transmission plc's Electricity Transmission Licence
Whereas:

1. National Grid Electricity Transmission plc ("the Licensee") is the holder of an Electricity Transmission Licence ("the Licence") treated as granted under section 6 of the Electricity Act 1989 ("the Act").
2. On 7 July 2016, the Licensee requested that the Gas and Electricity Markets Authority ("the Authority") grant a Consent, pursuant to paragraph 2N.14 of Special Condition 2N (Electricity Market Reform) of the Licence ("SpC 2N.14"), to allow the Licensee to engage external temporary staff in the EMR Administrative Team ("EMRAT").
3. SpC 2N.14 requires the Licensee to have in place and comply with an EMR Compliance Statement at all times, unless the Authority otherwise consents or directs. Appendix 8 of the EMR Compliance Statement states that peak EMRAT members should only be sourced from the Licensee.

Reason for the Authority's decision to issue a direction

4. The Authority considers that it is appropriate to allow the Licensee to engage external temporary staff in EMRAT, subject to certain conditions, for the period 15 July 2016 until 20 October 2016, for the reasons set out in the accompanying letter. On the basis that allowing the Licensee to engage external temporary staff in EMRAT is subject to certain conditions the Authority has decided to issue a Direction rather than a Consent.

Now therefore:

5. The Authority issues a Direction under SpC 2N.14 to the Licensee to allow the Licensee to engage external temporary staff in EMRAT for the period 15 July 2016 until 20 October 2016. In issuing this Direction the Licensee must:
 - a. monitor the recruitment activity at the Relevant Other Competitive Businesses ("ROCBs") until 15 January 2017 to establish whether any of the external temporary staff engaged under this Direction are later engaged by the ROCBs; and report in the 2017 Compliance Report on whether any of the external temporary staff were later engaged by a ROCB within three months of leaving the EMRAT, and;
 - b. ensure the externally recruited temporary staff will:
 - i. not be able to use portable media;
 - ii. only be able to send emails to other EMRAT staff; and
 - iii. not be able to use printers.
6. This Direction has effect on and from 15 July 2016 and shall remain in effect until 20 January 2016 or until the Authority decides to revoke or amend the Direction in writing upon reasonable notice to the Licensee.
7. This document also constitutes notice for the purposes of section 49A of the Act in relation to the Direction.

Signed:

Date: 10 August 2016

Philippa Pickford
Associate Partner, Wholesale Markets
Duly authorised on behalf of the Authority