

System operators, transmission
system owners, generators,
suppliers, traders, consumers,
aggregators and other interested
parties

Direct Dial: 020 7901 7000
Email: soincidentive@ofgem.gov.uk

Date: 22 August 2016

Dear colleagues

Decision to approve National Grid Electricity Transmission's (NGET's) proposed Demand Side Balancing Reserve (DSBR) Procurement Methodology for 1 April 2016 to 31 March 2017

This letter sets out our decision to approve NGET's proposed DSBR Procurement Methodology. This methodology was submitted to us by NGET on 31 March 2016 under Special Licence Condition 4K of the NGET Transmission Licence. The methodology has minor changes compared to the previous version¹.

We have assessed the methodology against the requirements in Special Condition 4K.5. In addition, we have considered three key factors which we consulted on in June 2013²:

- a) NGET's procurement must be economic and efficient and the products must represent value for money to electricity consumers;
- b) NGET's product design and proposed use of the new products must minimise unintended consequences to market participants and the operation of the market, and;
- c) NGET's procurement process must be objective and transparent.

We are satisfied, having reviewed the proposed methodology, that when applied correctly it will meet the requirements of Special Condition 4K, it is consistent with the three factors set out above, and it is in the interests of consumers.

We will place a copy of this letter on our website. If you have any comments or questions on the content of this letter, please email soincidentive@ofgem.gov.uk.

Yours sincerely



Philippa Pickford
Associate Partner, Wholesale Markets

¹ The 2016/17 methodology and previous versions can be found at:
<http://www2.nationalgrid.com/UK/Services/Balancing-services/System-security/Contingency-balancing-reserve/Methodologies/>

² <https://www.ofgem.gov.uk/sites/default/files/docs/2013/06/consultation-on-the-potential-requirement-for-new-balancing-services-to-support-an-uncertain-mid.pdf>