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Ofgem
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Consultation on a Proposed Income Adjusting Event submitted by National Grid Electricity Transmission plc in relation to the 2015-17 Electricity System Operator Incentives Scheme

Dear Tom

We would like to take this opportunity to provide our response to the questions related to a Proposed Income Adjusting Event (IAE) submitted by National Grid Electricity Transmission (NGET).

Please find our responses to the consultation questions in the attached Annex.

Yours sincerely,

Polina Kharchenko
Wholesale Regulation Manager

Question 1: Do you believe that the event submitted by NGET as an Income Adjusting Event constitutes an Income Adjusting Event?

- § **Do you consider the proposed IAE to constitute force majeure as defined in the BSC or in the CUSC?**

We believe that the proposed IAE does not meet the definition of force majeure in the BSC or the CUSC.

- § **Do you believe that the event submitted by NGET was unforeseen? Please provide evidence to support your view where possible.**

It is reasonable to expect that on 23 December 2015 (or shortly prior to this date), when NGET made a mid-scheme submission to Ofgem requesting a change to certain components of the Black Start target, NGET could not have anticipated the February closure and mothball announcements. Unfavourable market conditions and other variables, such as the outcome of the Capacity Market auction, made it challenging for NGET to anticipate February closure and mothball announcements.

- § **Do you believe that the proposed IAE costs were beyond the reasonable control of NGET?**

As the event was not foreseeable by NGET and NGET ran a competitive contracting process in February/March 2016, the IAE costs were beyond the reasonable control of NGET in its role as GBSO.

Question 2: Assuming the event is an IAE, do you consider that any or all of the costs set out in NGET's notice were caused by the relevant IAE?

We are not aware of any reason why any of the costs incurred in relation to the specified IAE should be disallowed.

- § **Are there any additional interactions between costs incurred that need to be taken into account?**

Ofgem may wish to consider the impact of any mechanisms that return revenue to NGET when contracted units run and generate revenue in the electricity market.



§ Do you consider that NGET acted economically and efficiently in procuring Black Start in this event?

As set out in the NGET's Black Start Statement required under its Transmission License, Black Start is agreed via bilateral contracts between NGET and the relevant power station to ensure that specific system needs are in place. NGET used a competitive contracting process announced on 25 February 2016. On this basis, NGET acted economically and efficiently in procuring Black Start in this event.