

To the Company Secretary:

National Grid Electricity Transmission Plc
(Company Number: 02366977)

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

WHEREAS

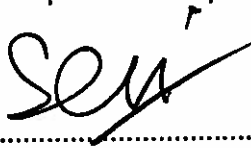
1. National Grid Electricity Transmission Plc ('the licensee') is the holder of an electricity transmission licence ('the licence') granted or treated as granted under section 6(1)(b) of the Electricity Act 1989 ('the Act') that includes Special Conditions.
2. Special Condition 4K ('SpC 4K') of the licence establishes the arrangements for determining the allowed revenue derived from procuring and using Demand Side Balancing Reserve ('DSBR') and Supplemental Balancing Reserve ('SBR') for the purposes of the Balancing Services Activity that the licensee may recover in each Relevant Year t.
3. Pursuant to part F of SpC 4K, the Gas and Electricity Markets Authority ('the Authority') approved the SBR Procurement Methodology for 2016/17 on 4 December 2015 and the SBR Operational Methodology 2016/17 on 5 October 2016 (the 'Approved Methodologies'). Part G of SpC 4K establishes the process for the licensee to make proposals for revising Approved Methodologies.
4. Paragraph 4K.15 of SpC 4K states that if the licensee considers that an exceptional change in circumstances arises that materially affects the basis upon which the relevant Approved Methodologies were approved by the Authority in a significant way (other than in relation to the Volume Cap as set out in the Volume Requirement Methodology, pursuant to SpC 4K.4), the licensee must promptly notify the Authority of the change in circumstances and its materiality and significance.
5. On 27 October 2016, the licensee formally notified the Authority that there had been an exceptional change in circumstances materially affecting the basis upon which the Approved Methodologies for 2016/17 were approved, within the meaning of SpC 4K.15. Our letter accompanying this direction explains the exceptional change. NGET

consider the result to be a substantially increased risk of generation shortfall on 31 October 2016.

6. Consequently, the licensee has requested that the Authority direct it under SpC 4K.16 to revise the Approved Methodologies to reflect the change in circumstances by amending the SBR start date from 1 November 2016 to 31 October 2016.
7. The Authority considered the information submitted by the licensee and is satisfied that the proposed revision to Approved Methodologies reflects the change in circumstances identified by the licensee. The Authority is satisfied that the proposed revisions are economic and efficient and will provide value for money for electricity consumers in Great Britain.
8. **NOW** the Authority pursuant to the provisions of SpC 4K.16 **HEREBY DIRECTS** that:

the licensee amends the start date in the SBR Approved Methodologies for 2016/17 to 31 October 2016.

This document constitutes notice of the reasons for the decision to issue the direction pursuant SpC 4K.16, as required by section 49A(2) of the Act.



.....

Sukhinder Lalli
Associate Partner, Legal and Wholesale Market Conduct
Duly authorised on behalf of the Gas and Electricity Markets Authority

Dated: 28 October 2016