

Annex

DIRECTION ISSUED PURSUANT TO PARAGRAPHS 4C.45 OF SPECIAL CONDITION 4C (BALANCING SERVICES ACTIVITY REVENUE RESTRICTION ON EXTERNAL COSTS) OF NATIONAL GRID ELECTRICITY TRANSMISSION PLC'S ELECTRICITY TRANSMISSION LICENCE IN RELATION TO THE REMOVAL OF THE CORRECTION TO THE ERROR IN THE OPERATING RESERVE CASH PRICE MODEL

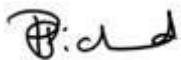
Whereas:

1. National Grid Electricity Transmission plc ("NGET") 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").
2. Special condition 4C (Balancing Services Activity Revenue Restriction on External Costs), Part K (SO Methodologies and update provisions), sets out the establishment and publication of the SO Methodologies as approved by the Authority for determining Modelled Target Costs. In accordance with Special Condition 4C.45, NGET must notify the Authority and seek to correct an error that has arisen that prevents the SO Models from appropriately reflecting the SO Methodologies unless the Gas and Electricity Markets Authority (the "Authority") directs otherwise.
3. NGET raised an issue concerning the Operating Reserve Cash Price of the Energy Model and proposed a solution via Special Condition 4C.45 to the Authority on 12 April 2017.
4. The Authority has considered this proposal and on the basis of the information provided has decided to direct NGET to remove the correction because it does not conform to the requirements of Special Condition 4C.45.

Therefore:

The Authority hereby directs that NGET remove the correction to the error in the Operating Reserve Cash Price model in accordance with Special Condition 4C.45.

This letter and Direction constitutes a notice of the reasons for the decision to issue this Direction pursuant Special Condition 4C.45, as required by section 49A of the Act.



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Philippa Pickford – Associate Partner
For and on behalf of the Gas and Electricity Markets Authority
Date: 7 July 2017