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Dear Colleagues

Decision on the value of EMR dispute resolution incentive for 2016/17

This letter sets our decision on the value of EMR dispute resolution incentive for 2016/17¹. We also set out our decision on the value of the customer and stakeholder satisfaction survey incentive for 2016/17.

Dispute resolution incentive under Special Licence Condition 4L

The dispute resolution incentive adjusts the licensee's revenue according to how many of National Grid Electricity Transmission Plc's (NGET) Reviewable Decisions Ofgem overturns. These Reviewable Decisions are referred to us under the Electricity Capacity Regulations 2014². The dispute incentive relates to decisions on both the Capacity Market (CM) and Contracts for Difference (CfDs), but no Prequalification for CfD took place in 2016/17, and therefore no applicable CfD disputes arose from decisions made by NGET.

In 2016/17, we overturned ten of NGET's Reconsidered Decisions relating to Capacity Market Prequalification. These ten decisions were grouped into two substantive Prequalification dispute issues.

The first overturned Prequalification decision applied to two Capacity Market Units (CMUs). It related to NGET's misapplication of the CM Rules in respect of the Early Capacity Auction (ECA). The second overturned decision applied to eight CMUs and was on the grounds of procedural fairness in the DSR Transitional Auction (TA).

The total potential dispute resolution incentive value for 2016/17 is $\pm\text{£}150,000$, with $\pm\text{£}100,000$ allocated to the T-4 and TA, and $\pm\text{£}50,000$ to the ECA. Under the incentive, in both categories, one overturned decision results in $\text{£}0$. As there was one overturned decision for each category, both of these terms equal 0. Therefore, NGET's overall disputes incentive performance for 2016/17 is $\text{£}0$ ³.

2016 customer and stakeholder satisfaction survey incentive

The 2016 customer and stakeholder satisfaction survey forms the basis of a further incentive under Special Licence Condition 4L. The incentive has a total value of $\pm\text{£}300,000$ for the Capacity Market. In 2016/17 NGET's average score was 7.31, a slight decrease from the 2015/16 baseline of 7.46 (out of a maximum of 10). Under the incentive, a shortfall

¹ Pursuant to 4L.7 of Special Condition 4L.

² [Report](#) on the EMR Delivery Body's performance of its functions in relation to the Capacity Market (June 2017).

³ As outlined in Schedule 2 of 4L.

from the baseline score means a loss of incentive income. As a result, based on the incentive calculation, the Authority has determined in 2016/17 NGET loses £54,545 on the customer and stakeholder satisfaction survey incentive.

Decision on financial incentives on EMR for 2016/17

For the total financial incentive on EMR for 2016/17 only the disputes resolution incentive, and the customer and stakeholder satisfaction survey incentive are applicable.

We direct the value for the disputes resolution incentive to equal 0. The customer and stakeholder satisfaction survey incentive will take a value -£54,545.

The direction is published on our website with this letter.

Yours faithfully,



Mark Copley
Associate Partner, Wholesale Markets **29 November 2017**