

The Company Secretary
National Grid Electricity System Operator
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Date: 31 July 2019

Direction issued to adjust Black Start Costs incurred in 2018/19 to direct a value for the term BSTA_t under special condition 4G.21 of National Grid Electricity System Operator Ltd's electricity transmission licence

1. This direction is issued by the Gas and Electricity Markets Authority (the "Authority") pursuant to special condition 4G.21 of National Grid Electricity System Operator Ltd's ("NGESO") electricity transmission licence.
2. Special condition 4G.21 provides that if the Authority determines that the total costs in that Relevant Year were not incurred in accordance with the relevant Approved Methodologies, it shall direct a value for the term BSTA_t where such value shall not exceed 10% of the total costs for that Relevant Year.
3. The Authority has considered the annual report, auditor's statement and additional information submitted by the NGESO in accordance with Special Conditions 4G.13 to 4G.15. For most costs, there were no concerns regarding their accuracy or compliance with the Approved Methodologies.
4. However, it was identified that £90,895.47 of costs relating to a feasibility study contract were incurred in Relevant Year 2017/18. The NGESO's choice not to include these costs in last year's annual report pre-dated the guidance that we provided on 20 August 2018, in which we said that the date that invoices are submitted to NGESO is deemed to be when the costs are incurred.¹
5. With that in mind, we do not believe that it is appropriate to deduct these costs in view of the fact that they were incurred in the spirit of the Approved Methodologies, and moreover that conducting the relevant feasibility study in an economic and efficient manner was in the interest of consumers.
6. The Authority hereby directs the value for the term BSTA_t to be £0.

Signed

Eleanor Warburton
Deputy Director - ESO and Gas Systems - Duly authorised on behalf of the Authority

Dated: 31/07/2019

¹ <https://www.ofgem.gov.uk/publications-and-updates/authority-determination-adjust-black-start-costs-incurred-201718>