

**Directions issued to National Grid Electricity Transmission plc (NGET) by the Gas and Electricity Markets Authority (the Authority) pursuant to paragraphs 4K.3, 4K.4, 4K.5, 4K.6, 4K.7 and 4K.8 of Special Condition 4K of NGET's Electricity Transmission Licence**

1. The objective of Special Condition 4K of NGET's Electricity Transmission Licence is to establish arrangements to determine the allowed revenue derived from procuring and using Demand Side Balancing Reserve and Supplemental Balancing Reserve for the purposes of the Balancing Services Activity that the licensee may recover in each Relevant Year.
2. The current Relevant Years, for the purposes of cost recovery under Special Condition 4K, are, by virtue of paragraph 4K.2 of Special Condition 4K, 2014/15 and 2015/16.
3. [We consider that the winter outlook for 2016/17 and 2017/18 is uncertain and that it is prudent to allow NGET the ability to recover any economic and efficient costs incurred with the procurement and use of Demand Side Balancing Reserve and Supplemental Balancing Reserve if needed in 2016/17 and 2017/18.]
4. Paragraph 4K.3 of Special Condition 4K provides that the Authority may direct any changes to the Relevant Years to which the provisions of that condition apply.
5. Paragraphs 4K.4, 4K.5, 4K.6, 4K.7 and 4K.8 of Special Condition 4K respectively require that NGET submit to the Authority for approval, in relation to the Relevant Years, a:
  - a. Volume Requirement Methodology;
  - b. DSBR Procurement Methodology;
  - c. DSBR Operational Methodology;
  - d. SBR Procurement Methodology; and
  - e. SBR Operational Methodology.
6. **The Authority hereby directs:**
  - a. **Under paragraph 4K.3 of Special Condition 4K that the Relevant Years to which the provisions of Special Condition 4K apply shall also include the Relevant Years 2016/17 and 2017/18; and**
  - b. **Under paragraphs 4K.4, 4K.5, 4K.6, 4K.7 and 4K.8 of Special Condition 4K that NGET submit methodologies for the Relevant Years 2016/17 and 2017/18 pursuant to paragraphs 4K.4, 4K.5, 4K.6, 4K.7 and 4K.8 respectively of Special Condition 4K by 31 March 2016**

Dated: 23 November 2015

Philippa Pickford

**Associate Partner, Markets**

Duly authorised on behalf of the Gas and Electricity Markets Authority