

To: All holders of an electricity transmission licence

**Electricity Act 1989
Section 11A(1)(b)**

Modification of the standard conditions of all electricity transmission licences

1. Each of the licensees to whom this document is addressed has an electricity transmission licence which has been granted or treated as granted under section 6(b) of the Electricity Act 1989 ('the Act').
2. Under section 11A(2) of the Act the Gas and Electricity Markets Authority ('the Authority')¹ gave notice on 1 March 2017 ('the Notice') that we propose to modify standard condition C16 (Procurement and use of balancing services). We stated that any representations to the modification proposal must be made on or before 29 March 2017.
3. A copy of the Notice was sent to the Secretary of State in accordance with section 11A(4)(b) of the Act, and we have not received a direction that the change should not be made.
4. We received one response to the Notice, which we carefully considered. We have placed the response on our website. Our response to these comments is set out in the accompanying letter.
5. It is necessary to make a number of minor alterations to the modifications set out in the Notice. These alterations are shown in yellow highlight in the attached Schedule 1. The reasons for any differences between the modifications set out in the Notice and the modifications reflected in Schedule 1 are to address minor issues raised in the consultation responses.
6. We are making this licence modification to provide greater clarity to National Grid Electricity Transmission plc (NGET), in its role as system operator, on the obligations placed on it under the licence when co-ordinating and directing the flow of electricity onto and over the national electricity transmission system.
7. The effect of the proposed modification is to strengthen the obligations placed on NGET under the licence when co-ordinating and directing the flow of electricity onto and over the national electricity transmission system.
8. Where an application for permission to appeal our decision is made to the Competition and Markets Authority (CMA) under section 11C of the Act, Rule 5.7 of the CMA's Energy Licence Modification Appeals Rules² requires that the appellant must send to any relevant licence holders who are not parties to the appeal a non-confidential notice setting out the matters required in Rule 5.2. NGET is the relevant licence holder in relation to this modification. Section 11A(10) of the Act sets out the meaning of 'relevant licence holder'.

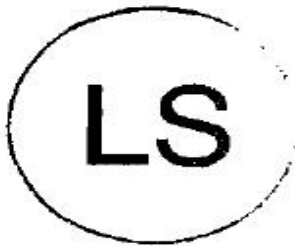
¹ The terms "the Authority", "we" and "us" are used interchangeably in this document.

² The rules were published by the Competition Commission in September 2012. On 1 April 2014, the Competition Commission was abolished and its functions transferred to the CMA.

Under the powers set out in section 11A(1)(b) of the Act, we hereby modify the standard licence conditions for all electricity transmission licences in the manner specified in attached Schedule 1. This decision will take effect from 1 June 2017.

This document is notice of the reasons for the decision to modify the electricity transmission licences as required by section 49A(2) of the Act.

**The Official Seal of the Gas and Electricity Markets Authority
here affixed is authenticated by the signature of**



.....
Emma Kelso
Duly authorised on behalf of the
Gas and Electricity Markets Authority

6 April 2017

Schedule 1

Proposed amendment to the Standard Conditions of the Electricity Transmission Licence

Standard Condition C16 (Procurement and use of balancing services)

Amendments to Standard Condition C16:

1. The licensee shall co-ordinate and direct the flow of electricity onto and over the national electricity transmission system in an efficient, economic and coordinated manner. This includes but is not be limited to the following:
 - (a) taking the most efficient actions to balance the national electricity transmission system based on the information the licensee had at the time; and
 - (b) taking into account the impact such actions have on competition in the wholesale electricity market and on the total system,
and in doing so, the licensee shall:
 - (i) compare the costs of actions outside the balancing mechanism with the likely costs of actions inside the balancing mechanism; and
 - (ii) consider the likely impact any such action would have on:
 - (aa) wholesale electricity market price signals;
 - (bb) the behaviour of electricity market participants; and
 - (cc) the efficiency of the national electricity transmission system;
 - (c) considering the impact any action would have on the total system;
 - (d) optimising the timing of transmission outages under the outage plan on the national electricity transmission system;
 - (e) publishing information which the licensee holds to enable electricity market participants to make efficient operational and investment decisions;
 - (f) producing and publishing accurate and unbiased forecasts of:
 - (i) indicated margin;
 - (ii) demand;
 - (iii) wind generation output; and
 - (iv) balancing costs;
 - (g) ensuring the procurement of balancing services is transparent;
 - (h) ensuring that the technical requirements of balancing services do not unduly restrict new and existing balancing service providers from competing in the provision of such ~~these~~ services; and

- (i) anticipating future national electricity transmission system requirements by using and developing competitive approaches to procuring balancing services wherever this is in the best interests of current and future electricity consumers in Great Britain.

Amendment to paragraph 5

- (d) The report prepared pursuant to sub-paragraph (c) shall be accompanied by a statement from an independent auditor of internationally recognised standing appointed by the licensee from the licensee's auditors that they have carried out an investigation the scope and objectives of which shall have been established by the licensee and approved by the Authority, and they shall give their opinion as to the extent to which the licensee has complied with the statement prepared pursuant to sub-paragraph (a) together with any revision made in accordance with paragraph 8 of this condition.

Introducing the following terms into paragraph 15

<u>active power</u>	<u>shall have the same meaning as that given to that term in the Grid Code</u>
<u>balancing costs;</u>	<u>means the costs incurred by the licensee to balance the national electricity transmission system.</u>
<u>demand;</u>	<u>means taking, or being able to take, megawatts (MW) of electricity (active power) from the total system</u>
<u>indicated margin</u>	<u>shall have the same meaning as that given to that term in the Grid Code</u>
<u>wind generation output</u>	<u>means the active power output in MW from each wind generator in respect of which operational metering is installed (excluding that relating to wind generators accepted as bids and offers in the balancing mechanism)</u>