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28 June 2013

Dear Lewis,

Notice under section 11A(2) of the Electricity Act 1989 (re modification of the Special Conditions of National Grid Electricity Transmission plc's electricity transmission licence) to amend certain existing Special Conditions, insert proposed new Special Conditions, and delete certain Special Conditions to implement revised Electricity System Operator incentive schemes from April 2013.

I refer to the notice (the "Notice") given by the Gas and Electricity Markets Authority on 31st May 2013 pursuant to section 11A(2) of the Electricity Act 1989 (the "Act") that proposes to modify National Grid Electricity Transmission plc's ("National Grid") electricity transmission licence (the "Licence") in the manner set out in the Schedules to the Notice.

National Grid has reviewed the drafting of the text in the Schedules to the Notice and considers that some amendments to the proposed drafting should be made in the interest of consistency throughout the drafting. These changes are described in more detail in the Appendices to this letter.

Further, we have identified a number of amendments that require to be made within Section C. System Operator Standard Conditions of the wider Licence to facilitate implementation of the proposed new and amended Special Conditions as set out in the Schedules to the Notice. Again these proposed amendments are set out in the Appendices to this letter.

We would appreciate the consideration and subsequent adoption of these comments to ensure that the appropriate changes be made to the Licence.

If you would like to discuss this response further, in the first instance please contact Katharine Clench (katharine.clench@nationalgrid.com or 01926 656036).

Yours sincerely

[by e-mail]

Chris Train
Director, Market Operation

National Grid Electricity Transmission
Appendix 1: Section 11 A (2) Statutory Licence Consultation Comments Table

National Grid Electricity Transmission Special Conditions – Comments		
Comment Number	Para Ref	Comment
1	Multiple	Spaces have been deleted from the proposed text in the following instances: <ul style="list-style-type: none"> ○ in the definition of “Network Equipment” between ‘Mechanism’ and ‘)’; ○ in the definition of “SO Capex Rolling Incentive” between ‘2013’ and ‘.’; ○ in the definition of “SO Innovation” between ‘all’ and ‘of’; ○ in paragraph 4B.1 between ‘Mechanism)’ and ‘inclusive’; ○ in paragraph 4B.3 between ‘4J’ and ‘,’; ○ in paragraph 4C.5 in the definition of BSFS_i between ‘Studies’ and ‘for’; ○ in the title of Special Condition 4E between ‘Develop’ and ‘Enduring’; ○ in paragraph 4I. 4 (a) between ‘Losses’ and ‘on’; ○ in paragraph 4J. 4 (a) between ‘of’ and ‘ROV_t’; ○ in paragraph 4J.4 (c) between ‘of’ and ‘a’; and ○ in paragraph 4J.5 between ‘revised’ and ‘value’.
Special Condition 1A: Definitions and Interpretation		
2	1A. 5	The words ‘on External Costs’ have been added to the heading of Special Condition 4C within the definitions of “Balancing Services Activity Revenue Restriction”, “Outage Change”, “Relevant Year t”, “SO Methodologies” and “SO Models” to reflect the full name of the Special Condition.
3	1A. 5	The title of Special Condition 4B within the definition of ‘Balancing Services Activity Revenue Restriction’ has been amended to ‘Balancing Services Activity Conditions: Interpretation’ rather than ‘Balancing Services Activity Special Conditions: Interpretations’.
4	1A. 5	The definitions of “Network Equipment” and “New Network Equipment” have been amended to also include reference to ‘Special Condition 4J (The System Operator Innovation Roll-out Mechanism)’.
5	1A. 5	In the definition of “SO Innovation”, part (b), the full definition of “New Network Equipment” has been inserted to replace the word ‘new’.
6	1A.5	The ‘t’ has been subscripted to ‘i’ in the definitions of “SO Methodologies” and “SO Models” follow “Modelled Target Costs”.
7	1A. 5	In the definition of “Outage Change” reference to ‘Part H (TO Incentives)’ has been deleted as this is the incorrect reference.
Special Condition 4A: Restriction of System Operator Internal Revenue		
8	4A.1 & 4A.2	The words ‘balancing services activity’ have been capitalised to read ‘Balancing Services Activity’ in line with its definition.
Special Condition 4C: Balancing Services Activity Revenue Restriction on External Costs		
9	4C.5	The phrase ‘in respect of the Relevant Year t or Period p (bearing the meaning of the term RT _p in this licence as at 31

National Grid Electricity Transmission
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		<i>March 2013</i> ' has been deleted such that the definition of RT_t only refers to paragraph 4C.16.
10	Part E heading	The words ' <i>balancing services activity</i> ' have been capitalised to read ' <i>Balancing Services Activity</i> ' within the heading of Part E.
11	4C.16	Deletion of the phrase ' <i>(RT_t or RT_p (bearing the meaning of that term in this licence as at 31 March 2013) respectively)</i> ' following the proposed amendment to paragraph 4C.5 above.
12	4C.35	Deletion of the space between " <i>ex ante</i> " with the replacement of a hyphen to read " <i>ex-ante</i> " in parts (b) and (c).
Special Condition 4E: Requirement to Conduct a Review and Continue to Develop Enduring Models for Forecasting the Costs of Procuring and Balancing Services		
13	4E.1	Reference to paragraph <i>4C.3</i> has been corrected to <i>4E.3</i> to reference the correct paragraph within the condition.
14	4E.1	The paragraph has been amended to end with <i>).</i> ' as this will end the sentence and paragraph appropriately.
15	4E.3	The wording for part (c) of this paragraph to include the word ' <i>and</i> ' after the word Activity as this signals the next part is the last in the list.
Special Condition 4F: Requirement to Develop Enduring Methodologies for the Purposes of Identifying a Target for the Costs of Procuring and Using Balancing Services		
16	4F.2	The wording for part b of this paragraph to include the word ' <i>and</i> ' after the word Activity as this signals the next part is the last in the list.
Special Condition 4G: Black Start Cost Incentive		
17	4G.2	Reference to paragraph 4C.39 has been corrected to refer to the correct paragraph 4C.40 within Special Condition 4C.
Special Condition 4H: Wind Generation Forecasting Incentive		
18	4H.2	In the definition of $RFIT_n$ the phrase ' <i>subject to paragraph 4H.4 below</i> ' has been deleted as the definition is not subject to this paragraph.

Additional Proposed Amendments within the Wider Transmission Licence

National Grid Electricity Transmission Standard Conditions – Comments		
Comment Number	Para Ref	Comment Number
Standard Condition C1: (Interpretation of Section C)		
1	1	Revision of the definition of “ <i>Balancing Services Activity</i> ” such that it refers to the new Special Condition 4C rather than the original Special Condition AA5A.
Standard Condition C5: (Use of System Charging Methodology)		
2	8	Reference to Special Conditions AA5A to AA5E updated to refer to the new Special Conditions 4A to 4J.
Standard Condition C6: (Connection Charging Methodology)		
3	15	Reference to Special Conditions AA5A to AA5E updated to refer to the new Special Conditions 4A to 4J.