



Bringing choice and  
value to customers

Alison Kay  
The Company Secretary  
NGET  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DA

Your Ref:  
Our Ref:  
Direct Dial: 020 7901 7021  
Email: [sonia.brown@ofgem.gov.uk](mailto:sonia.brown@ofgem.gov.uk)

30th March 2006

Dear Alison

**Proposed Revisions to the Balancing Principles Statement (“BPS”) and the Procurement Guidelines (“PGs”)**

The Gas and Electricity Markets Authority (the “Authority”)<sup>1</sup> has carefully considered the proposed revisions to the BPS<sup>2</sup> and the PGs<sup>3</sup> published by National Grid Electricity Transmission plc (“NGET”) in February 2006 and the subsequent report submitted by NGET in March 2006 (the “Report”).<sup>4</sup>

In the Report, NGET noted that the changes do not alter the substance or practical impact of the guidelines. NGET considered that this is suitably reflected in the limited response to its consultation. A response was received from only one industry member, who agreed to the changes in light of their minor nature. NGET therefore recommends that:

- ◆ the PGs be revised as set out in Appendix C of the Report effective five business days following an Authority decision; and
- ◆ the BPS be revised as set out in Appendix B of the Report effective five business days following an Authority decision.

The Authority agrees that the changes are all very minor and simple ‘Housekeeping’, reflecting NGET’s recent name change or other simple textual revisions. On the basis of these considerations, the Authority therefore agrees that NGET may modify the PGs as set out in Appendix C of the Report and the BPS as set out in Appendix B of the Report.

<sup>1</sup> The terms “Ofgem” and “the Authority” are used interchangeably in this letter. Ofgem is the office of the Authority.

<sup>2</sup> The BPS defines the broad principles and criteria by which NGET will use balancing services and other measures to assist in the operation of the transmission system. NGET prepares a BPS approved by the Authority in accordance with Standard Licence Condition C16 of its transmission licence. Standard Licence Condition C16(5)(b) of that licence requires NGET to review the BPS at least once per year.

<sup>3</sup> The PGs set out the types of balancing services that NGET may be interested in purchasing and the mechanisms by which it envisages purchasing them. The PGs also contain details of public information provision in relation to the procurement of balancing services. NGET prepares the PGs in accordance with Standard Licence Condition C16(3)(a) of its transmission licence which requires NGET to prepare a statement in a form approved by the Authority, at 12-monthly intervals.

<sup>4</sup> The consultation document (entitled ‘Proposed Revisions to the Procurement Guidelines and Balancing Principles Statement – Consultation by National Grid’) and the Report (entitled ‘Proposed Revisions to Balancing Principles Statement and Procurement Guidelines – A Report by National Grid’) are available on NGET’s website:

<http://www.nationalgrid.com/uk/Electricity/Balancing/consultations/>

If you have any further questions on the above please contact Dennis Morgan on 020 7901 7374 who will be pleased to help.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sonia Brown'.

**Sonia Brown**  
**Director, Wholesale Markets**

Signed on behalf of the Authority and authorised for that purpose by the Authority