

Angus Brendan MacNeil MP  
Chair of the Energy and Climate Change Committee  
Committee Office  
House of Commons  
14 Tothill Street  
London  
SW1H 9NB

Cordi O'Hara  
Director, UK System Operator

Dear Angus,

Thank you for your letter, regarding our recent appearance before your Energy and Climate Change Committee and the request for further information surrounding the Notice of Inadequate System Margin (NISM) on the 4 November 2015. I would like to assure the Committee that National Grid takes a prudent approach to our system planning and we fully understand the significance of our role in terms of efficiently balancing the electricity transmission network in real time.

As you know, on Wednesday the 4 November, National Grid issued a market notification (NISM) for the evening peak in demand. The NISM came following an extended period of low wind, and unexpected plant faults and losses that led to a tightening of margin. It is not unusual for plant failures to occur in real time for a variety of reasons and we believe in these situations we have the right processes and tools in place to manage the system in order to respond quickly.

Over the peak, we dispatched the available Demand Side Balancing Reserve (DSBR) for the first time, in full, at 43MW. Approximately 400MW of Short Term Operating Reserve also ran and we used 200MW of SO to SO trades with Ireland. We did not, on this occasion, dispatch the Supplemental Balancing Reserve (SBR).

In response to the NISM, we saw the market respond in a number of ways, such that the majority of the shortfall had been recovered (or eroded with declining reserve requirements), and we met the final peak. In line with normal practice, the NISM was cancelled at this point. It is important to note that while this was the first NISM we have issued since 2012, the issuing of such notices is not unusual practice for the industry and is something that we had anticipated occurring as part of our toolkit for balancing the system.

I can confirm the total costs of balancing the electricity transmission network on the 4 November have been calculated at £2.4 million. We have broken this down further to account for the cost of the actions taken across the peak of the day, when the NISM was in force, and also the remainder of the day.

<b>Total cost of balancing actions (4 November)</b>	<b>£2.4 million</b>
Cost of balancing actions during NISM period	£1.05 million
Cost of balancing actions outside NISM period	£1.35 million

The cost of the SO to SO trades enacted during the NISM period was £181,300 and, subject to final performance data being agreed with the remaining providers, it is expected that the final costs for DSBR will be between £25k and £30k of the total cost of balancing actions

It is important to note that the costs of the balancing actions taken on the 4 November were not extraordinary, and for reference the average daily costs incurred for balancing the electricity transmission system throughout 2014/15 was £2.33m.

Although we are never complacent, we do believe that we have the right tools in place to manage this winter. We of course keep the position under constant review.

I hope that the information above fulfils the Committees request, however please do not hesitate to contact me if you need anything further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Cordi O'Hara'.

**Cordi O'Hara**  
**Director, UK System Operator**