



Greig Baker
Treasurer
Canterbury Club

Alan Smart
Energy Operations Manager
National Grid

21st November 2011

RE: Money For Nothing? A Review of National Grid's Contracting Criteria

Dear Alan,

On behalf of the Canterbury Club, I would like to thank you and your colleagues for engaging with us so openly following the publication of our report into STOR Aggregators. You have been very kind in sharing your expertise, insight and plans for the future with us. We would also like to thank you for the detailed response to our report laid out in your letter, which I will be delighted to share with those stakeholders who received the initial document.

As you say, the continued development of the Aggregation model is vital to the use of Operating Reserve and we are very pleased that this issue is being discussed and considered by a growing number of stakeholders. National Grid will, no doubt, remain at the forefront of positive developments in this field.

We were particularly pleased to note your comments about the ongoing evolution of the Aggregation model. By phasing out Phantom Mega Watts, introducing a new auditing process, and developing the STOR Standard Contract Terms over the coming months, we are confident that National Grid will introduce significant improvements to this important new industry. We are also delighted that you welcome our recommendation regarding the introduction of an independent auditing system and that you will review this option in the future.

Lastly, you kindly offered to discuss future areas of relevant work that the Canterbury Club may focus on over the coming months. Given the overwhelming interest in the Aggregation model and other related issues, I hope we will have an opportunity to take you up on your generous offer.

Many thanks again to you and your team.

Yours sincerely,

Greig Baker