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25 May 2004

Our Ref: MPC No P163

Dear Colleague,

GB Consultation for Balancing and Settlement Code (BSC) Modification Proposal P163
"Clarification of the circumstances in which paragraph 6.5 of Section P (calculation of Error Correction Payment) should apply".

On 5 December 2003, Ofgem wrote to Nicholas Durlacher, BSC Panel Chairman, and Charles Davies, Connection and Use of System Code (CUSC) Panel Chairman, describing the procedure that Ofgem would follow when consulting on a Great Britain (GB) wide basis for proposed changes under consideration in the BSC and the CUSC. Ofgem considers that it is generally appropriate to consult on BSC and CUSC change proposals on a GB wide basis following the Second Reading of the Energy Bill which introduces the British Electricity Transmission and Trading Arrangements (BETTA). A copy of this letter can be found on Ofgem's website at the following address:

<http://www.ofgem.gov.uk>

The Energy Bill received its second reading on 11 December 2003.¹ Ofgem considers that it is appropriate to invite responses on any additional implications that Proposed Modification P163 may have, were it to be applied on a GB wide basis, as opposed to being limited to England and Wales.

On 30 April 2004 Ofgem and the DTI published the near final text of the GB BSC. A copy of this document can be found on Ofgem's website. Ofgem therefore also invites responses about whether the final text of GB should incorporate the proposals put forward in BSC Amendment Proposal P163.

The draft Modification Report in respect of Modification Proposal P163 and other related documents may be found on ELEXON's BSC website at the following address:

¹ http://www.parliament.the-stationeryoffice.co.uk/pa/ld199697/ldhansrd/pdvn/lds03/text/31211-01.htm#31211-01_head0

<http://www.elexon.co.uk/ta/modifications/modifications.html>

Responses that identify additional implications for GB should be sent to Steve Mackay at the postal address below or by email to steve.mackay@ofgem.gov.uk. Interested parties are requested to submit responses by 5pm on Monday 21 June 2004. Ofgem intends to publish GB wide responses in full on the Ofgem website. If respondents do not wish their response to be published, it should be clearly marked 'Confidential'.

Steve Mackay
Office of Gas and Electricity Markets
9 Millbank
London
SW1P 3GE

Please contact me if you have any queries in relation to the issues raised in this letter. Alternatively, contact David Edward on 020 7901 7435.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N. Simpson', written over a horizontal line.

Nick Simpson
Director, Modifications

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