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20 April 2006

Dear John

Review of the process that National Grid plc uses to identify the actions that have been taken in respect of constraints in the Scottish network

Further to our Letter of Engagement dated 23 March 2006 (attached as Appendix A), I have pleasure in enclosing the results of our work in respect of the review of the process that National Grid plc ("NG") uses to identify the actions that have been taken in respect of constraints in the Scottish network.

Scope of our work

As per our Letter of Engagement, the scope of our work was agreed with you, and was restricted to the review of a set of processes and controls as defined by NG. These processes and controls are included in Appendix B to this letter. In undertaking our review, and in accordance with our Letter of Engagement, we have conducted tests, on a sample basis, to confirm that the processes and controls identified have operated effectively for the period from 1 April 2005, the 'go-live' date for the British Electricity Transmission Trading Arrangements, to date.

We agreed that we would report to you the results of those tests, and hence the effectiveness of any controls tested, but would not provide an opinion as to the effectiveness of the overall process. Therefore, within Appendix B, we have included the details of the tests performed and the outcome of those tests.

We have not performed an assessment of the adequacy or completeness of the control objectives in relation to the risks they are designed to address nor have we assessed whether the control procedures achieve the control objectives, which were set. Our conclusion relates solely to the control procedures which we tested and not to any others.

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Sample sizes

In conducting our work, in line with our standard methodology, we have selected a sample of items to test to provide assurance as to the effectiveness of the control or process being tested. In each case, the sample selected has been based upon:

- The nature of the control/process, i.e. manual or automated;
- The risk of error if the control/process fails; and
- The size of the population of items from which to select our sample.

In all cases the sample sizes selected have been in line with the PwC sampling methodology.

Conclusion

In undertaking the tests as defined in Appendix B, and based upon the samples selected in performing those tests, we can confirm that the controls and processes identified have operated effectively for the period from 1 April 2005, the 'go-live' date for the British Electricity Transmission Trading Arrangements, to date.

If you have any questions about this, or any other matter, please do not hesitate to contact me.

Yours sincerely

Elwyn Roberts