



15 October 2001

Nicholas Durlacher
Chairman, BSC Panel
c/o Elexon Ltd
Third Floor
1 Triton Square
London
NW1 3BX

Dear Mr Durlacher

Please find attached a BSC proposal "Correction of Notification Errors where Parties are able to satisfy a Reasonable and Prudent Operator test".

Powergen has actively participated in each of the BSC Modification Groups (P9, P19 and P37) dealing with ex post correction of notification errors. During these discussions we have come to the view that there are particular circumstances in which BSC Parties could, despite acting prudently, face losses that may be disproportionate to the incentives necessary to achieve accurate notifications. This applies to both past and future notification errors.

Unfortunately, the P37 proposal only addresses past notification errors. In our view it is not practical (or indeed equitable) to consider implementation of P37 (or its alternative) without consideration of the mechanism for correction of future notification errors. This perspective also seems to be reflected in Ofgem's P19 decision letter dated 1 August 2001.

In submitting this proposal we trust it will offer a way forward for establishing a robust long-term solution that balances the incentives to notify correctly with the need to avoid placing "unmanageable" risks on market participants. Given the mutual inter-dependence of this proposal and P37 we would ask that the Panel request the Authority to grant this proposal urgent status so that the proposals can be considered together.

Yours sincerely,

Peter Bolitho
Trading Arrangements Manager