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value for all customers*

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13 August 2004

Our Ref: MP No P170 Urg

Dear Nick

**Urgent modification to the Balancing and Settlement Code - Modification Proposal P170  
“Amendments to the Balancing and Settlement Code (Code), and to the systems and processes  
that support it, to allow compliance with the changed application of VAT to Trading Charges”.**

Thank you for your letter dated 12 August 2004.

In your letter you base your justification for urgent treatment of the proposal on the basis that to do so would maximise the opportunity for Parties to provide input via impact assessment and consultation, in order that they may highlight any considerations prompted by these complex changes.

The Gas and Electricity Markets Authority (the “Authority”) will continue to treat each proposal on its own merits. However, in all cases, the Authority believes that a modification should only be treated as urgent if the modification could not appropriately be treated as non-urgent. It is currently the view of the Authority that, in general, urgent modifications are likely to exhibit at least one of the following characteristics:

- There is a very real likelihood of significant commercial impact upon NGC, industry parties, or customers if a proposed modification is not urgent;
- Safety and Security of the network is likely to be impacted if a proposed modification is not urgent; and /or
- The proposal is linked to an imminent date related event.

The following decision in no way considers the merits of the modification proposal but considers only matters relating to urgent treatment.

The Authority does not consent to Modification Proposal P170 being treated as an Urgent Modification Proposal for the purposes of section F2.9. of the BSC.

Ofgem considers that the standard timescales along which P170 might be progressed are such that the modification could be appropriately treated as non-urgent. It is Ofgem's view that if a Modification Report were presented to the Authority by mid to late November the timescales are such to allow the modification to be implemented prior to 1 January 2005, in the event it is approved by the Authority.

Modification Proposal P170 should therefore be subject to the normal modification procedures as detailed in section F of the BSC. This decision does not preclude the Panel and ELEXON progressing P170 over a short timetable, providing that the requirements for appropriate consideration and consultation are met.

Please call me on the above number if you would like to discuss any of the issues in this letter further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'A. 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**