

14 October 2003



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Dear Mr Durlacher

**Urgent modification to the Balancing and Settlement Code - Modification Proposal P144:
"Removal of CADL from the BSC"**

Thank you for your letter dated 13 October 2003 addressed to Nick Simpson in regard to Modification Proposal P144: "Removal of CADL from the BSC".

In your letter you support National Grid Company plc's ("NGC") recommendation that Modification Proposal P144 raised by First Hydro Company on 10 October 2003 should be treated as an Urgent Modification Proposal for the purposes of section F2.9 of the Balancing and Settlement Code ("BSC"). Also included was a proposed procedure and timetable for Modification Proposal P144.

The Gas and Electricity Markets Authority (the "Authority") consents that Modification Proposal P144 should be treated as an Urgent Modification Proposal for the purposes of section F2.9 of the BSC. In its assessment of whether the Modification Proposal should be treated as urgent, NGC identified that the proposal has the potential to deliver energy imbalance prices that are more cost reflective, particularly at times of system stress, and therefore that urgent treatment is appropriate. The Authority considers that it is important that those aspects of the Modification Proposal that concern the security of electricity supplies be properly considered at the earliest opportunity and therefore that the Modification Proposal should be treated as urgent. In addition the Authority considers that there is a very real likelihood of significant commercial impact upon NGC, industry parties, and customers if the Modification Proposal is not treated as urgent.

The Authority has considered the procedure and timetable proposed by the BSC Panel in relation to Modification Proposal P144 and agrees with the timetable and process outlined in your letter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sonia", followed by a period.

Sonia Brown

Director of Electricity Trading Arrangements

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