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value to customers*

Nicholas Durlacher
BSC Panel Chairman
ELEXON Limited
4th Floor
350 Euston Road
London
NW1 3AW

Your Ref:
Our Ref:
Direct Dial: 020 7901 7355
Email: nick.simpson@ofgem.gov.uk

12 June 2006

Dear Nick,

Request for urgency in relation to Modification Proposal P202, "Energy Imbalance Incentive Band" ("P202")

Thank you for your letter dated 8 June 2006, containing the Panel recommendation that P202 not be treated as an Urgent Modification Proposal. This treatment was sought by the Proposer, Bizzenergy.

The Proposer, and a minority of the Panel, contended that urgent treatment was merited. The Panel provided a proposed procedure and timetable for the treatment of P202 should the Authority direct urgent treatment.

As highlighted in previous decision letters, Ofgem considers that a modification should only be treated as urgent if the modification could not appropriately be treated as non-urgent. Our view is 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 NGET, industry parties, or customers if a Modification Proposal is not urgent;
- Safety and security of the network is likely to be impacted if a proposed modification is not urgent; and
- The proposal is linked to an imminent date related event.

Ofgem has been provided with commercially confidential information that has persuaded us that P202 should be treated as Urgent, given the implementation of Modification P194.

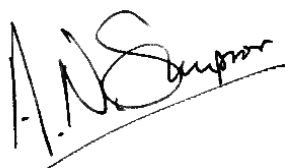
Ofgem also consider that the proposal is seeking to address issues associated with a time related event ie the implementation of P194. Ofgem note ELEXON and the Panel's view concerning the timing of the potential implementation of P202. However, we are not persuaded that an earlier implementation would not be viable, were we minded to approve the proposal.

Ofgem therefore consents to P202 being treated as an Urgent Modification Proposal for the purposes of section F2.9 of the BSC in accordance with the procedure and timetable put forward by the Panel.

Ofgem has not, by consenting to the request that P202 be treated as an Urgent Modification Proposal, made any judgement on its merits, or those of any other related Modification Proposal.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the number above.

Yours sincerely

A handwritten signature in black ink, appearing to read 'N. Simpson', with a horizontal line drawn underneath.

Nick Simpson
Director, Modifications

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