



Nick Simpson  
Ofgem  
9 Millbank  
London  
SW1P 3GE

17 November 2004

Dear Nick,

**Request for Urgency for Modification Proposal P181 'NGC Emergency Instruction re Damhead Creek 19.05.04: Deferral of Imbalance and RCRC Charges'**

In accordance with the procedures set out in Section F2.9 of the Balancing and Settlement Code (the Code), ELEXON has recommended that Modification Proposal P181 'NGC Emergency Instruction re Damhead Creek 19.05.04: Deferral of Imbalance and RCRC Charges' (P181) should be progressed as an Urgent Modification Proposal and this has been agreed by the Panel. Both ELEXON and the Panel noted concern that this could set a precedent and were keen that Parties should raise Modification Proposals in a timely manner, rather than relying on the Modification Proposal being progressed as Urgent.

P181 was raised by Economy Power Limited on 16 November 2004. I am therefore writing to seek the Authority's approval of this course of action and endorsement of the process and timetable to be followed in respect of this proposal.

Issues Addressed by the Modification Proposals

Copies of P181 and the accompanying letter, received from Economy Power Limited, are attached to this letter.

On 19 May 2004 NGC issued an Emergency Instruction to Damhead Creek. In accordance with paragraph Q5.1.3(b) of the Balancing and Settlement Code (the Code) an Emergency Instruction shall be classed as a Bid/Offer Acceptance. This particular Emergency Instruction was not initially processed as a Bid/Offer Acceptance and therefore was the subject of a Trading Dispute. On 19 August 2004 the Trading Disputes Committee agreed that this Emergency Instruction should have been processed as a Bid/Offer Acceptance and therefore in accordance with paragraph W4.1.1 it was agreed that the error should be rectified in the next Settlement Run which is due to be carried out on 15 December 2004.

P181 seeks to remove the Acceptance relating to this Emergency Instruction from the Settlement Run on 15 December 2004, and include it in the Final Reconciliation Run relating to 19 May 2004 which is due to be carried out in July 2005. This would delay the impact of the Emergency Instruction on Settlements while Modification Proposal P171 'Retrospective removal of Emergency Instructions taken for System reasons from Imbalance Price' (P171) is being progressed.

Panel Views

Attempts were made to contact all Panel Members. Of the 9 Panel Members contacted, all were supportive of the urgent treatment of this Modification Proposal. The remaining Panel Member could not be contacted. The Transmission Company and Distribution System Operator representatives were also supportive of urgent treatment.

The urgent treatment of P181 is justified on the basis that it is linked to an imminent time related event (the third Reconciliation Run for the 19 May 2004 is due to be carried out on 15 December 2004). Failure to expedite the Modification Proposal will mean that it will not be possible for the issues raised by the proposal, specifically in relation to the financial impact of certain Parties, to be assessed by the industry and the Panel.

#### Proposed Process and Timetable

The proposed process and timetable that would be adopted if this Modification Proposal were to be treated as Urgent is set out in the table below. The aim would be to submit an Urgent Modification Report in respect of P181 to the Authority on Wednesday 1 December 2004.

#### **P145 Proposed Process and Timetable**

<b>ACTIVITY</b>	<b>DATE</b>
Modification Group Meeting 1 – Agree issues/requirements/principles for consultation	22/11/04 10:00
Issue draft consultation document to group for review by	Close of Business 22/11/04
Comments from group back by	Midday 23/11/04
Issue consultation document	Close of Business 23/11/04
Consultation response deadline	Close of Business 29/11/04
Modification Group Meeting – Consider consultation responses and formulate arguments for the draft Urgent Modification Report.	30/11/04 10:00
ELEXON to draft Urgent Modification Report and Group review	31/11/04
Issue Urgent Modification Report to Panel	1/12/04
Panel Meeting to decide on Final Recommendations in Urgent Modification Report	2/12/04
Final Urgent Modification Report to the Authority	3/12/04
Final date to allow implementation prior to 15 December 2004	9/12/04

#### Decision Required

You are invited to confirm whether the Authority agrees that Modification Proposal P181 should be treated as Urgent Modification Proposal and, if so, to direct the processes and timetables to be followed. It should be noted that if the Authority would prefer a longer consultation period, this could be achieved by delaying the later dates and hence allowing the Authority a shorter period for consideration of the proposal prior to the latest possible decision date. Given the proposed timing of the consultation period and the meeting of the Modification Group on 22 November 2004, I would be grateful if you could reach a timely decision on this matter.

Yours sincerely,

Richard Brealey

**Deputy BSC Panel Chairman**

Enc: 1. Modification Proposal P181  
2. Covering Letter for Modification Proposal P181.