

4 August 2003



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

Direct Dial: 020 7901 7412
Email: sonia.brown@ofgem.gov.uk

Dear Mr Durlacher

**Urgent modification to the Balancing and Settlement Code - Modification Proposal P135:
"Marginal System Buy Price During Periods of Demand Reduction"**

Thank you for your letter dated 1 August 2003 addressed to Nick Simpson in regard to Modification Proposal P135: "Marginal System Buy Price During Periods of Demand Reduction".

In your letter you support National Grid Company plc's ("NGC") recommendation that Modification Proposal P135 raised by NGC on 1 August 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 P135.

The Gas and Electricity Markets Authority (the "Authority") consents that Modification Proposal P135 should be treated as an Urgent Modification Proposal for the purposes of section F2.9. of the BSC on the grounds of efficiency in the operation of the BSC. Ofgem considers that there is a very real likelihood of significant commercial impact upon NGC, industry parties, and customers if the Proposed Modification is not treated as urgent. The Authority also considers that if the Proposed Modification is not treated as an Urgent Modification Proposal this could have an impact on the safety and security of the network.

The Authority has considered the procedure and timetable proposed by the BSC Panel in relation to Modification Proposal P135 and agrees with the timetable and process outlined in your letter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Sonia".

Sonia Brown

Director of Electricity Trading Arrangements

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