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Friday, September 14th 2007

Dear Eddie,

RE: NTS GCM 09 - TO Over Recovery Mechanism

E.ON UK supports the proposals put forward by NG NTS in this consultation paper and believes they represent an improvement on the existing arrangements, by introducing more clarity and transparency.

We continue to have reservations, however, that the proposals in GCM 09 do nothing to address the issue of where there are no buy-backs within the same formula year. This is a relevant concern as there have been no buy-backs to date since June/July 2006. In this case, as we understand it, there is no offsetting of over-recovery against buy-back costs and, as a result, the over-recovery amount is transferred into the calculation of "K" for the next formula year. Although we appreciate that this particular proposal does nothing to worsen or improve the current arrangements in this regard, we believe it is extremely important that all over-recovery should be re-distributed within the same formula year and not carried over into calculation of "K". We look forward to NG NTS bringing forward proposals to address this specific issue; for instance through a negative TO Commodity charge.

I hope you find these comments useful, but if you wish to discuss them in any more detail, please do not hesitate to contact me on T: 02476 181421.

Yours sincerely

Richard Fairholme (by email)
Trading Arrangements
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