



Eddie Blackburn
Regulatory Frameworks
National Grid
National Grid House
Gallows Hill
Warwick
CV34 6DA

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
West Midlands
CV4 8LG
eon-uk.com

Richard Fairholme
T: +44 (0)2476 181421

richard.fairholme@eon-uk.com

Friday, 12th September 2008

Dear Eddie,

RE: NTS GCM 12 – “Retrospective Negative TO Entry Commodity Charge & Separate Management of K”

E.ON UK supports this charging methodology change proposal by National Grid NTS.

We believe it is important that all over-recovered amounts are re-distributed within the same formula year and that we avoid, wherever possible, amounts flowing into the ‘K’ calculation for the next formula year. We support the introduction of a retrospective negative TO Entry Commodity Charge, which will allow for residual TO Entry revenue over-recovery amount to be managed better. It also seems sensible that where there is entry or exit over or under-recovery, that the calculation of ‘K’ is then split (for charging purposes only) between entry and exit to avoid the potential for cross-subsidisation.

On a general note, it is apparent that with the increasing prevalence of auctions in the capacity regime that ever more complex charging proposals are needed to resolve some of the unforeseen or unintended consequences we are now seeing. Unfortunately, the complexity of the charging arrangements makes it very difficult for Users to understand how National Grid is performing in relation to its allowed revenue and its incentive regime (for both Entry and Exit), which is key in terms of predicting future price changes. As a result, we would encourage National Grid NTS to provide more detailed information and commentary (similar to that provided by DNs under UNC Modification Proposal 186) to support Users in this regard.

I hope that the above comments prove useful. Should you wish to discuss our response further, please do not hesitate to contact me on the above number.



Yours sincerely

Richard Fairholme (by email)
Trading Arrangements
E.ON UK