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Thursday, 15th January 2009

Dear Jemma,

RE: NTS GCM 13 – April NTS Exit Capacity Price Changes

E.ON UK does not support this proposed change to the Gas Transmission Transportation Charging Methodology. At this stage, we believe “Option One – Do Nothing” is the most appropriate way forward. Overall, as both a Shipper and a Supplier we value greater predictability of charges rather than reduced volatility and therefore remain unconvinced about the benefits of implementing a change to the current methodology governing exit capacity price setting.

We are uncomfortable with this proposal indirectly setting a precedent for National Grid NTS making future price changes in April as well as October, which we would not be supportive of. Although implementing this change may not necessarily make it more likely that National Grid would implement a future April price change, it is proposed to remove the requirement to conduct a formal written industry consultation on this issue, which when compared to the *status quo*, would make it less onerous for National Grid to amend the way that capacity prices are set and arguably help “clear the path” for an April price change.

In terms of the proposals put forward, it is clear that Option Two is incompatible with UNC Modification Proposals that have been put forward in respect of enduring exit reform and are, at this time of writing, awaiting a decision from Ofgem. It would, therefore, be unwise to presume a particular outcome which may subsequently invalidate a charging methodology

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change proposal. Instead, we would prefer to see more “enduring” proposals brought forward (if required) after a decision has been made on the future of exit capacity reform and the associated charging methodology implications are understood. Option Four would seem the most suitable solution if there was an actual problem to resolve; but, we have concerns that this proposal is not seeking to resolve an existing problem within the charging methodology; rather it is seeking to anticipate a problem before it arises. In this case, there is no guarantee that the proposed change would ever be used in practice, or indeed would be the “best” solution. In the interests of charging methodology stability, we would prefer to see any new issues dealt with in full when and if they arise. A piecemeal approach of tweaking the charging methodology is not satisfactory in this case, particularly where there is no pressing need to do so. On this basis, we believe “Option One – “Do Nothing” is most apt.

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 number above.

Yours sincerely

Richard Fairholme (by email)
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