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14<sup>th</sup> May 2009

Dear Debra,

**RE: NTS GCM 15: Shipper Commitment & Entry Capacity Cancellation Fees**

E.ON UK **does not support** this proposal.

We have sympathy with this proposal to the extent that it ensures monies recovered from a defaulting Shipper properly flow into the “appropriate” pot for TO or SO purposes; although we note that this is primarily for accounting purposes under National Grid’s licence and doesn’t affect the total sum of charges we face as Shippers .

We are concerned, however, that the term “Entry Capacity Cancellation Fee” may be misleading and could suggest that payment of a fee would enable a Shipper to relinquish some or all of their capacity holdings at no further cost, or be a “cheaper” alternative to putting in place the required credit security. In our view, such outcomes are not intended from the related UNC Modification Proposals. It is also not clear from this charging proposal what happens if the defaulting Shipper does not pay the cancellation fee. For example, if a Shipper is subsequently terminated, is this fee then chargeable to all Shippers on top of the charges for the capacity which has been cancelled; i.e. ‘capacity cancelled’ + ‘capacity cancellation fee’? If this is the proposal, then we do not consider that it “*reflects the costs incurred by the licensee in its transportation business*” as this would be tantamount to double charging Shippers for the same capacity and would not be cost-reflective.

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Furthermore, we do not consider that it is appropriate for National Grid NTS to only propose a charging solution which supports its own proposal (Mod 246) and thereby, somewhat unfairly fails to deal with an alternative proposal; namely Modification Proposal 246B. We believe it would have been more pragmatic for National Grid NTS to review and re-issue this consultation paper, taking into account the alternative proposals raised under the UNC.

Although we understand that this charging proposal may 'fall away' if Modification Proposal 246 is not implemented, it feels wasteful of Shipper's time to be responding to a further consultation on the same issue when this could have been avoided by withdrawing this proposal and a re-consultation, covering all three UNC Modification Proposals. Without such a revision, we do not consider that this proposal "*properly take[s] account of developments in the transportation business*".

Yours sincerely

**Richard Fairholme** (by email)  
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