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Dear Jemma,

RE: NTS GCM 16 - Supply and Demand Balancing Rules and Supply Source Data

E.ON UK supports National Grid's preferred "Option Nine" approach, on the basis of our understanding that it allows Users to more easily replicate charges in the transportation model and that it should, in theory, reduce unexpected fluctuations in charge levels; particularly at Exit. We would like to note that it is not necessarily the fluctuations in transportation charge levels that are the problem, but that these changes are not always predictable. Generally speaking, as a principle we favour predictability of charges over stability.

Although this change may make charges more 'cost-reflective', it is difficult to assess whether this proposal is, on balance, "better" than the prevailing methodology, as it simply demonstrates that there will be a re-distribution of existing charges rather than a change in the sum total of charges payable by Shippers. Hence, there will be both 'winners' and 'losers' in terms of charge levels resulting from this change, due to the locational nature of transportation charging. However, aside from the stated logic, there is no evidence in the proposal that it will necessarily result in more stable charges for Users. For instance, it is noted that Option Nine "*may be more appropriate at lower demand levels or where available supply is significantly higher than demand*". However, this has not been demonstrated in the figures provided by National Grid NTS. Hence, further evidence of the benefits may be required before this proposal can be implemented.

Yours sincerely

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