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Dear Richard,

RE: NTS GCD 09: NTS Enduring Exit Capacity Charge Setting

E.ON UK believes care must be exercised when considering changing the exit charging arrangements at this time. Whilst we did not support the proposals put forward by National Grid NTS under GCM 05, we consider that the impact of both exit capacity substitution and the potential surrender of exit capacity in 2011 needs to be first taken into account, before considering further changes. In terms of the current arrangements, we believe the current arbitrary nature of baselines is a fundamental problem, since these are simply commercial numbers agreed between NG and Ofgem and do not necessarily reflect physical capability. In terms of some of the specific points raised in the discussion document:

- Using forecast demand flows would seem to be the most immediate solution to the demand vs. supply imbalance, but using this would introduce a level of uncertainty for Users, since it relies on the accuracy of National Grid's forecasting.
- The more complicated the methodology, the less easy it will become for Shippers to model or replicate charges using the Transportation model. Therefore simplicity in the methodology and its inputs should be a key objective. Using forecast data may make it difficult for users to understand the inputs and the assumptions used within them.
- In respect of supply, TYS forecast supplies seem appropriate to use as it is an industry accepted and easily accessed data source.
- We do not support the suggestion in the discussion paper that individual exit points could be modelled using different data sources. This is likely to give rise to undue discrimination between Users in the charging arrangements.



- We consider it remains appropriate to continue to set flow to zero for storage offtakes and bi-directional interconnectors since these are expected to be entering gas at the time of peak.

I hope that the above comments prove useful. Should you wish to discuss our response in any further detail, please do not hesitate to contact me on T: 02476 181421.

Yours sincerely,

Richard Fairholme (by email)
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E.ON UK