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Response to UNC Modification Proposal 050 Storage Monitor Adjustment

Dear Tim

E.ON UK strongly opposes this Modification Proposal for the reasons set out below.

The proposal will increase uncertainty in a price sensitive gas market, thereby pushing up the price of gas in a manner which may not reflect the true market conditions. The proposal would also make it very difficult for Users to plan for this winter, potentially threatening security of supply.

The proposal could create an emergency, rather than prevent one, in particular, a rapid one, where the industry has no time to respond to avert that emergency and balance their position. We note that the proposal does not include any form of notice to be given to Users, where Transco intends on increasing the Monitors. This creates unmanageable risk for Users.

We do not agree that this proposal is needed to reflect changes made to the Safety Case. Not only were changes to the Safety Case made without industry consultation but Transco's requirement to keep the monitors under review and make changes where necessary is open to interpretation with respect to how Transco achieve this.

The proposal is inconsistent with Transco's role as residual balancer, dampening the incentive on Transco to use efficient market based responses such as the OCM, before intervening in the market

The proposal would impede investment in storage and undermine existing storage contracts.

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The magnitude of the recent change to the LNG monitor level, whilst welcome, raises serious questions with regards to how they are set in the first place. We consider a review of the methodology behind the Safety Monitors is the best way forward to address clear issues that Transco is not confident relying on them, as they stand.

Transco has also given the reason for the proposal being raised to respond to external issues such as the hurricanes in the States, with recent market price movements suggesting that some LNG otherwise destined for Europe may be diverted to the US. Transco have, therefore, incorporated an additional volume into the long-range storage safety monitor, equivalent to that required assuming loss of supply of 10 mcm/d across the winter period, to reflect this and other supply-side risks. We question why this additional 10mcm/d is not considered sufficient to cope with any uncertainty for this winter.

Please do not hesitate to contact me if you wish to discuss any of the above.

Yours sincerely

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