



Tim Davis
Joint Office of Gas Transporters
51 Homer Road
Solihull
West Midlands
B91 3LT

Thursday, 26th April 2007

Response to UNC Modification Proposal 115: Correct Apportionment of NDM Error

Dear Tim,

E.ON UK is in support of this Modification Proposal.

The systematic overcharge to domestic shippers via the RbD process has been well documented and subject to extensive investigation over a number of years. This overcharge affects all shippers operating in the domestic market equally and therefore does not affect competition. It does however result in one category of gas customer (i.e. those using less than 73,200 kWh per annum) subsidizing all the others which is inappropriate.

The identification of the problems behind this overcharge has led to a number of Modifications (e.g. Transco NWC Mod 640, UNC Mod 94, 95, 96 and 136) to rectify the identified issues. These have addressed some specific problems but have not fully resolved the issue.

This Modification attempts to address the identified problem of un-reconciled energy. The underlying causes of the un-reconciled energy apply equally to all NDM supply points by varying degrees. It is therefore logical to support the wider apportionment of these costs as suggested by the Modification proposal. This proposal can be viewed as an attempt to address the inequality in the treatment of different consumers and therefore we support its implemented.

We do have some concerns about the transportation charge rate that will be applied to larger supply points as these would not appear to be cost reflective for the consumers concerned.

The application of a flat charge rate for transportation appears to be solely driven by a desire by the Gas Transporters agent, xoserve, to minimise the cost of

E.ON UK plc
Newstead Court
Sherwood Park
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR

www.eon-uk.com

Alex Travell
T +44 (0) 2476 181386
M +44 (0) 7879 802325

alex.travell@powergen.co.uk
alex.travell@eon-uk.com

E.ON UK plc
Registered in
England and Wales
No 2366970

Registered Office:
Westwood Way
Westwood Business Park
Coventry CV4 8LG

implementation. This would result in the overall gas transportation rates for larger consumers not being cost reflective and in line with the gas transporter's charging methodologies. We have not been provided by xoserve with any verifiable costs to substantiate their claims that the additional administration involved would justify the loss of cost reflectively for larger gas consumers.

On balance however we believe that the problems with addressing the overall inequalities created by the RbD process outweigh the issue of charging rates for larger supply points. This specific issue could be addressed by a party to the UNC at a later date once this Modification proposal has been implemented.

Yours sincerely

Alex Travell
Retail Regulation
E.ON UK