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June 8, 2007

Dear Tim,

RE: Modification Proposal 0143 – Reduction of lapse periods in respect of Failure Notices issued in respect of Energy Balancing Credit

Thank you for the opportunity to respond to the above Modification Proposal. E.ON UK supports this Proposal.

We agree that implementation of Proposal 143, reducing lapse time periods between the User defaulting and the issuing of Failure and Termination Notices (requiring the EBCC to be convened before any such notice can be issued), would provide a fair and proportionate response to code infractions and tighten the existing credit arrangements to reduce User's exposure to financial loss.

Introducing more robust energy balancing credit arrangements should better facilitate the Relevant Objectives. In particular, we agree with the Proposer that by capping bad debt more quickly, the extent and/or duration of National Grid NTS' actions as the residual system balancer are likely to be reduced. This better facilitates the Relevant Objective specified in Standard Special Condition A11.1 (a), the efficient and economic operation of the pipe-line system.

Curtailing the escalation of bad debt and mitigating the socialisation of financial loss, whilst continuing to safeguard affected Users with Failure Notifications is consistent with the Relevant Objective specified in Standard Special Condition A11.1 (d), the securing of effective competition.

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Reducing lapse time periods, resulting in more robust procedures may also contribute to better facilitating the Relevant Objective specified in Standard Special Condition A11.1 (f), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

If you have any questions or queries regarding this response, please do not hesitate to contact me.

Yours sincerely

Alexandra Campbell (by email)

Trading Arrangements

E.ON UK