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Dear John,

**Supplementary Consultation on the revised Legal Text for
UNC Modification Proposal 0195AV**

As proposer of 195AV E.ON UK supports the proposed revisions to the legal text. In our view these clarifications make clear that the NTS commodity charges would continue to be paid direct by GDN shippers and do not change the intended effect of Modification Proposal 195AV. We trust that these changes will enable Ofgem to be in a position to carry out the wishes of the Authority namely to issue a notice to implement UNC195AV as soon as possible.

As a shipper user we do not mind whether the GDN share of NTS exit commodity charges is recovered direct from GDN shippers or is charged first to GDNs and are then 'passed through' in increased distribution commodity charges. The original legal text for UNC195AV simply reflected our understanding that the later approach to billing which was to apply under the enduring arrangements and this was also the case with UNC116V the proposal originally approved by Ofgem. We could not have reasonably known that the current GDN transportation licence drafting was incompatible with the legal text for UNC195AV. It is disappointing that GDNs identified these inconsistencies so late in the day.

This particular case does however raise fundamental concerns over how inconsistencies between transporter licences and the UNC should be managed. Too often major policy matters, over which shippers have little influence, are set out in transporter licences and the UNC is expected to come into line. In the case of UNC195AV legal drafting the inconsistency affects future enduring rather than interim offtake arrangements so it should have been feasible to amend the gas transporter licences to match the UNC rather than the other way around. Given, on this occasion shippers are not adversely affected by the proposed re-drafting of the NTS (Flat) Exit Commodity Charge clauses it seems reasonable to expedite this matter through a code change, but it should not be assumed to be the usual route to address such inconsistencies. We trust that these concerns will be considered as part of Ofgem's on-going review of code governance.

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In the absence of a policy decision to the contrary, it is our understanding that it remains Ofgem's aspiration to have NGG levy NTS (Flat) Exit Commodity charges on GDNs at an appropriate date in the future. This approach was extensively documented in the GDN sale papers and various Enduring Offtake Working Group, UNC116 and associated charging methodology documents. We note that GDNs complain about the costs of billing systems and processes to deal with this but were these costs not an implicit part of the sale of GDNs anyway especially given they agreed to licence obligations to support the introduction of the enduring offtake arrangements? In any event, it is difficult to see how billing costs could be significant. NG NTS would simply levy a pence per kWh charge on GDNs and all they would have to do is increase the distribution commodity charge to DN shippers by an equivalent amount. They do not have to create a new charging type just increase an existing one.

Yours sincerely

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