



John Bradley
Secretary, UNC Modification Panel
Joint Office of Gas Transporters
31 Homer Road
Solihull
West Midlands
B91 3LT

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
West Midlands
CV4 8LG
eon-uk.com

Richard Fairholme
T 02476 181421
richard.fairholme@eon-uk.com

Monday, 12th January 2009

RE: UNC Modification Proposal 0237 - Disposal of Dynevor Arms LNG Storage Facility

Dear John,

E.ON UK **supports** implementation of this Modification Proposal.

In-line with views expressed by some other Users, we have struggled to assess this proposal in terms of it better facilitating the Relevant Objectives. We believe the Proposer's assessment in terms of improved competition is somewhat tenuous as there is no guarantee that Dynevor Arms will be bought by another gas storage operator or continued to be used for such purpose. To the extent that not implementing this proposal may frustrate the disposal of the facility, we believe that this proposal could be considered to better facilitate the Relevant Objective A11.1 (f): the promotion of efficiency in the implementation and administration of the UNC.

We are disappointed that National Grid LNG left less than six months before the end of the current gas storage year to announce formally that it intended to dispose of the facility and thereby force its customers to give up all their commercial interests in it. For many Shipper Users, this will have required a fundamental change in strategy regarding their use of the facility (and in many cases, the use of substitutes for LNG in-store), forcing them to withdraw gas which, if not utilised this winter, may have otherwise carried-over into the next gas storage year. This change in commercial strategy forced by National Grid LNG's decision to dispose of Dynevor Arms is a cost that Shipper Users will have had to absorb, without any form of compensation.

Registered Office:
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It is interesting to note that as far as National Grid's operational interest in Dynevor Arms is concerned (in terms of Operating Margins gas held in-store); it will be given the option to transfer that gas to another NG LNG storage site at the end of the gas storage year. We are not aware of such an option existing for Shipper Users, who will have to withdraw their gas whether it is needed or not.

Therefore, we note that implementation of this proposal will have both a measurable cost and operational or administrative implications for those Shipper Users who are currently Dynevor Arms customers. We do not believe these costs are recorded in either the proposal or Draft Modification Report. Although the costs will almost certainly have already been incurred, it is worth noting that implementation of this proposal would not, as seems to be suggested by the proposal, be "cost-neutral" to Shipper Users.

Yours sincerely

Richard Fairholme (by email)
Trading Arrangements
E.ON UK