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Dear Tim

Response to UNC Modification Proposal 0255 Publication of Objection Rates for Larger Supply Points

We understand that the intention of 0255 is to make transparent, the UNC larger supply point transfer objection activity of shippers in order to identify patterns that may indicate inappropriate behaviour whereby shippers use the objection process to frustrate the legitimate transfer of customers to alternative suppliers.

The Proposer does not suggest that UNC provisions should govern this activity which itself is covered under the suppliers license condition SLC 14.2 and policed by Ofgem. Rather the Mod. will provide information that may assist the identification of inappropriate behaviour and make this visible to interested parties. In doing so it may be viewed as an incentive to proper behaviour.

We do have some reservations as to the conclusions that may be drawn from the information that would be published. The report lists shippers who have performed at least 10 objections in the relevant period and shows their rate of successful and cancelled objections as a percentage of their total objections. It would seem reasonable to assume that where a shipper has a high rate of cancelled objections, then these objections were either made where the shipper did not have proper grounds or were made as a consequence of a genuine error.

Those objections that proved successful may or may not indicate proper behaviour. For example if, as suggested by the Proposer, a shipper objected in order to deliberately frustrate the transfer process and allow time to 'hold onto' the customer by re-negotiating the supply contract, this may be viewed as inappropriate behaviour but will still show as a successful objection.

There may be periodic reasons to explain certain results, for example changes to a shipper/suppliers operational business may result in activity in the short term that could appear inappropriate, but could be due to training issues.

Nevertheless we do believe that consistent results showing prolonged high percentages of cancelled objections indicates that either inappropriate or inefficient behaviour is taking place. This could be said to be both not in the interests of competition and to place unreasonable costs on other shippers who are seeking to resolve the erroneous objection. Therefore although we believe that the reported activity may need to be refined over time we do believe that it would provide an incentive to proper behaviour and reduce operational costs to shippers and therefore deliver benefits to customers.

However our principal concern is that the specific identification of shippers could prove damaging commercially if the wrong conclusions are drawn from the report. We would prefer the list to be anonymous as with similar reports that have been produced within the industry historically, to identify trends and facilitate further investigation by relevant agencies. Therefore in its present form we are only able to offer qualified support.

Yours sincerely

Brian Durber (by email)
Retail Regulation