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## **Response to UNC Modification Proposal 111: Management of Users Approaching and Exceeding Upper Limits of Credit Limit**

Dear Tim,

E.ON UK offers qualified support of this Modification Proposal.

We were party to the discussions that took place in the UNC Distribution Workstream regarding this Modification Proposal. We are in broad agreement with the recommendations presented in the Ofgem *'Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover'* that was published in February 2005 and that has led to this and a number of other Modification Proposals.

We note that the 80% limit that this Modification Proposal suggests act as trigger for sending a notification to a User that they are exceeding their level of indebtedness and then in the event of a default becomes their maximum credit limit is different from that suggested in Ofgem's guidance document. It also varies from the Credit Cover arrangements that electricity Distributors have recently introduced for electricity suppliers.

Although there is no requirement for electricity and gas network operators to have the same credit cover provisions in place common arrangements would help those suppliers that are active in both markets and therefore would help secure effective competition between suppliers.

We agree that common, flexible and most importantly suitably robust credit cover arrangements for gas network operators will ensure a robust market for shippers to operate within in. Without a robust market for shippers it would also be impossible for suppliers to operate effectively.

We do have some concerns that by letting shippers get to 100% of their level of indebtedness before taking action may not present a suitably robust set of arrangements and may in fact present a risk to the market for shippers.

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Therefore this Modification Proposal can be seen to both enhance the potential for competition by lowering perceived barriers to entry but could also present risk to the existing competitive market if these new entrants were unable to pay their creditors.

For this reason we can only offer qualified support for this proposal and believe that it may further the relevant objective, as specified in Special Standard Licence Condition A11 1 i) and ii), to secure effective competition between relevant shippers and suppliers.

If any clarification is required concerning our response to this Modification Proposal then please do not hesitate to contact me.

Yours sincerely

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E.ON UK