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Response to UNC Modification Proposal 114: Quantification of Value At Risk (VAR) to determine maximum User Credit Security Requirements

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Dear Tim,

E.ON UK offers qualified support for 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 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. Without a robust market for shippers it would also be impossible for suppliers to operate effectively.

Before being able to fully support this Modification Proposal we would like to see a stated methodology by which all parties could have a common understanding of how to calculate VAR. Therefore we offer qualified support for this proposal as it should 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.

Yours sincerely

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