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value for all customers*

The Joint Office, Relevant Gas Transporters and other interested parties

Direct Dial: 020 7901 7355

9 August 2005

Our Ref: UNC/MOD/042

Dear Colleague,

Request for Urgent Status for Modification Proposal 042 "Revision of the Emergency Cash-Out price"

Summary

E.ON UK has written to the Gas and Electricity Markets Authority ("the Authority"¹) to request that Modification Proposal 042 "Revision of the Emergency Cash-Out price" follow urgent procedures.

Following careful consideration, Ofgem has today agreed to E.ON UK's request for modification proposal 042 "Revision of the Emergency Cash-out price" to follow urgent procedures. Having considered the request, Ofgem has today agreed for this modification proposal to follow urgent procedures. The reasons for making this decision are set out below.

Background

UNC modification proposal 021 "Revision of the Emergency Cash-Out Arrangements" was raised by Transco NTS on 1 June 2005 and was granted urgency by Ofgem on 2 June 2005. Ofgem subsequently rejected this modification proposal on 29 July 2005 but highlighted in the decision letter the importance of the issues raised and encouraged Transco NTS and other signatories to the UNC to consider whether further modifications in this area should be raised to allow these issues to be addressed ahead of the coming winter. Modification proposal 042 has been raised, to address one of the issues that was highlighted in the Ofgem decision letter ahead of this winter.

E.ON UK's modification proposal has been raised to address the perceived issue that the current emergency cash out price does not provide the most appropriate incentives on Users to make suitable provisions to avoid entering into a Gas Deficit Emergency (GDE). E.ON UK considers that the proposal seeks to provide the appropriate incentives on Users to address this concern.

E.ON UK requests urgent status in respect of the modification proposal to ensure that there is sufficient time for the industry to put in place appropriate arrangements for this coming winter

¹ Please note in this letter, the terms "Ofgem" and the "Authority" are used interchangeably.

Ofgem's decision on the request for urgency

In light of the comments made by Ofgem in modification proposal 021 and having considered E.ON UK's request, Ofgem has decided to grant the modification proposal urgent status. In reaching its decision, Ofgem has taken into account the proposer's views regarding the imminent date related event, i.e. this coming winter and the potential for a significant commercial impact on market participants if the modification proposal is not considered as a matter of urgency. Ofgem considers the justification for urgency accords with its guidelines for granting urgency status to a modification proposal.² In particular, Ofgem considers that if the modification proposal were to follow non-urgent procedures, there is a risk that, were the modification proposal to be subsequently implemented, there would be insufficient time for the market to properly consider the likely impact of the modification and react accordingly, prior to this coming winter. Ofgem also considers that if this modification proposal is not treated as urgent, this could have an impact on security of supply for the winter ahead.

For the avoidance of doubt, in accepting this request for urgency, Ofgem has made no assessment of the merits of the modification proposal and nothing in this letter in any way fetters the discretion of the Authority in respect of this Modification Proposal.

Urgency Timetable

The granting of urgent status and adherence to the timetable below would ensure that the proposal is in a position to be decided upon and if appropriate implemented ahead of this winter. The timetable for this modification proposal will therefore be as follows:

Sent to Ofgem requesting Urgency	03/08/2005
Ofgem grant Urgent status	09/08/2005
Urgent Modification Proposal issued for consultation	09/08/2005
Closeout for representations (9 business day consultation)	22/08/2005
FMR issued by Joint Office (+ 4 business days)	26/08/2005
Panel approve that response reflected appropriately	31/08/2005
Modification Panel Recommendation	02/09/2005
Ofgem decision expected	07/09/2005

The complexity of the issues involved may have an impact on the timing of Ofgem's decision.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me or alternatively, Fiona Lewis on 020 7901 7436.

Yours sincerely,



Sonia Brown
Director, Wholesale Markets

Signed on behalf of the Authority and authorised for that purpose by the Authority

² http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf