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Thursday, 26th April 2007

Response to UNC Modification Proposal 115a: Correct Apportionment of NDM Error

Dear Tim,

E.ON UK is not in support of this Modification Proposal.

The systematic overcharge to domestic shippers via the RbD process has been well documented and subject to extensive investigation over a number of years. This overcharge affects all shippers operating in the domestic market equally and therefore does not affect competition. It does however result in one category of gas customer (i.e. those using less than 73,200 kWh per annum) subsidizing all the others which is inappropriate.

The identification of the issues behind this overcharge has led to a number of Modifications (e.g. Transco NWC Mod 640, UNC Mod 94, 95, 96 and 136) to rectify the issues. These have addressed specific problems but have not fully resolved the issue.

This Modification attempts to address the identified problem of un-reconciled energy. The underlying causes of un-reconciled energy apply equally to all NDM supply points by varying degrees and therefore we can not support this alternative proposal as it excludes a portion of the NDM market.

Indeed there is little to stop an NDM I&C shipper from nominating its current portfolio of sites with AQ of less than 293,000 kWh as monthly read sites and only providing the minimum number of readings (i.e. once every 3 months to avoid the Must Read requirements in the UNC) specifically to avoid the apportioned costs.

This Modification proposal can therefore be viewed as being inferior to Modification 115 in its attempt to address the inequality in the treatment of different consumers.

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We are supportive of the alternative proposals suggested use of different transportation charging rates for larger supply points. The application of a flat charge rate for all customers is a flaw in Modification proposal 115. The driver for this flat charge rate for transportation appears to be solely driven by a desire by the Gas Transporters agent, xoserve, to minimise the cost of implementation.

On balance however we believe that the problems with addressing the overall inequalities created by the RbD process are better addressed by the original Modification proposal 115. We believe that the potential benefits of having differing transportation charging rates for the larger and smaller supply point components within Modification proposal 115a are outweighed by the issue of excluding the monthly read NDM customers and therefore this proposal should not be implemented.

Yours sincerely

Alex Travell
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