



Bob Fletcher
Secretary, UNC Modification Panel
Joint Office of Gas Transporters
31 Homer Road
Solihull
West Midlands
B91 3LT

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
West Midlands
CV4 8LG
eon-uk.com

Richard Fairholme
Trading Arrangements
T: 02476 181421
richard.fairholme@eon-uk.com

07 December 2010

Dear Bob,

RE: UNC 0336 - The Introduction of a Balancing Neutrality Adjustment Charge for Cost Recovery Associated with Rating Services

E.ON supports implementation of this proposal, but has some concerns about the way in which this proposal has been presented to industry participants.

Firstly, we are somewhat surprised that it has taken so long (over 18 months) for National Grid NTS to raise this Modification Proposal, given that the EBCC authorised National Grid NTS' agent xoserve to sign up to the subscription services in March 2009. We are conscious that the amounts of money involved are not significant, but that raising changes so late, in order to recover expenditure already incurred, is unhelpful and raises questions which might not have arisen had more timely action been taken by National Grid NTS.

Secondly, the proposer references the decision in March 2009 by the EBCC to authorise use the subscriptions services and that no objection was raised to recovering the cost through balancing neutrality. However, the proposal does not accurately reflect all EBCC discussions which followed afterwards. A more careful review of the minutes would show that later in the year at subsequent EBCC meetings, questions were raised about the appropriate funding mechanism for this proposal:

E.ON UK plc
Registered in
England and Wales
No 2366970
Registered Office:
Westwood Way
Westwood Business Park
Coventry CV4 8LG

May 2009

“The committee then discussed [an EBCC member’s] response to the draft [Mod]. It was agreed that prior to seeking a sponsor, the Transporters will investigate whether funding for this is already covered in the Transporter Licence. xoserve would also investigate why the costs for the two organisations where [sic] so different.”

June 2010:

[xoserve] reported that the pricing structure of the two organisations differed, with one offering mix/match and the other a standard package. The organisations did not appear to be flexible in their offerings. The subscription(s) had never been funded through the PCR, so no allowance for this type of cost had been made. Currently xoserve pick up the costs and these are passed back to National Grid. A Proposal would therefore need to be raised to recover the costs, and [xoserve] will approach National Grid NTS to take this forward.

To date and as far as we can tell, National Grid NTS has never explored the option of approaching Ofgem to consider an adjustment under its licence to recover the costs incurred; which would have circumvented the need for this Modification Proposal. Before implementing this proposal, we urge Ofgem to consider whether the licence route is (or would have been) more suitable than a Modification Proposal.

Nonetheless, the benefits provided by the subscriptions to the credit rating agencies are undoubtedly of significant importance in helping to protect Shipper Users from exposures through Shipper default. We would, therefore, not want these services to be suspended or cancelled because the funding arrangements could not be agreed between parties.

What this proposal demonstrates clearly is that National Grid NTS needs to be more proactive in raising these sorts of issues with Users at a much earlier stage and that the EBCC need to be conscious in future that if authorising National Grid’s agent xoserve to incur costs on behalf of the Energy Balancing Shipper community, that the mechanism for recovery of these costs needs to be clarified and formalised at the same time.

Finally, we note that it is unclear in this proposal how the 2009-10 costs will be dealt with and whether this proposal is seeking a retrospective adjustment through neutrality, or is only prospective. Clarification is requested from the Proposer.

If you wish to discuss this response in any more detail, please do not hesitate to contact me on T: 02476 181421



Yours sincerely

Richard Fairholme (by email)

Trading Arrangements

E.ON UK