



Tim Davis  
Chief Executive  
Joint Office of Gas Transporters  
51 Homer Road  
Solihull  
West Midlands  
B91 3QJ

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

Monday 21 November 2005

**Response to UNC Modification Proposal 061 Facilitating further demand side response in the event that a Gas Balancing Alert is triggered.**

Dear Tim

E.ON is unable to support this proposal. Whilst we accept the principle of ensuring as much gas is available to the market as possible at times of system stress, we do not consider that this proposal is likely to materialise in any significant volume of gas, which would have a discernible positive impact on the supply/demand position of the system.

The potential costs of this proposal far outweigh any perceived benefit. National Grid has been unable to offer any data, which might indicate the expected volume associated with allowing NG NTS to accept offers OTC. This proposal would likely conflict with the relevant licence obligation A11.1 (d) the securing of effective competition between relevant shippers and between relevant suppliers through creating an asymmetry of information, where some Users would know prices before others, potentially creating an unfair advantage for certain Users.

Moreover, the weighting of costs, as detailed in the proposal, could lead to a SMP Buy price which does not provide a true reflection of the market and Users, which may be short and do not have real time access to information may be hit by a penal cash-out price where they have been unable to or have not received the correct or timely signals to react sufficiently. The feed into balancing neutrality could then lead to inequitable windfall gains and losses.

We are also concerned that this proposal states that 'the industry view' and 'consensus of the DSWG' has been that such OTC trades were an

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

appropriate way forward. Having participated in many DSWGs, it is my understanding, which was shared with other shippers and customer representatives at a Transmission workstream, that no such industry view was formed. Whilst customers expressed an interest in the ability to offer multi-day trades, this was considered to be through the OCM. These discussions have resulted in APX enabling multi-day trades being made available in the locational market, with the potential to extend this further in the future.

E.ON UK is happy to discuss any of these issues further and we look forward to participating in future discussions at the DSWG to explore areas that might be improved to facilitate demand side response in the future. It is important, however, that we do not add further confusion and uncertainty, such as would be created by this proposal, this winter, which could only lead to the detriment of the system.

Yours sincerely

Christiane Sykes  
Trading Arrangements  
Energy Wholesale  
02476 424 737