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June 25, 2007

Dear Tim,

RE: Modification Proposal 0145 – Management of Users Approaching and Exceeding Code Credit Limit

E.ON UK **does not support** this Proposal.

We agree with the Proposer that implementation of Modification Proposal 145, which enables Transporters to issue a single notification to Users approaching Code Credit Limit (CCL) and which only allows Transporters to engage in measures (pursuant to Section V3.3.2) when the User's Value at Risk exceeds 100%, is likely to bring greater consistency to credit arrangements. To this extent, the Proposal could be considered to better facilitate relevant objective SSC A11.1 (d), in so far as greater consistency in credit arrangements is likely to reduce inappropriate discrimination and barriers to entry, thus facilitating competition between relevant shippers.

The Proposer suggests, however, that the new single notification is issued when Users reach 80% of the value of their CCL. We note that this percentage value varies both from Ofgem's Best Practice Guidelines (58/05, paragraph 3.46) and also the Credit Cover arrangement that Electricity Distributors introduced for Electricity Suppliers, which stipulate or recommend notification at 85%.

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Although there is no requirement for electricity and gas distribution network operators to have the same credit cover provisions in place, we believe that common arrangements would benefit existing and new market participants by introducing greater consistency and clarity of the two markets.

We believe that setting the CCL at 85% would be more appropriate and that the desire to avoid (reasonable) risk by DNs is the most likely rationale for the Proposer's suggested level of 80%. As the level of the CCL is the key aspect of this Proposal, it is for this reason that we are unable to offer our support; although we are sympathetic to the intention of the Proposal to increase the CCL from its current level.

If you have any questions or queries regarding this response, please do not hesitate to contact me.

Yours sincerely

Alexandra Campbell (by email)
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E.ON UK