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Friday, 7<sup>th</sup> September 2007

Dear Tim,

**RE: CODE MODIFICATION PROPOSAL No 0170 - User Admission Requirements for Applicant Shippers Who Solely Wish to Participate in Long Term Entry Capacity Auctions**

E.ON UK does **not support** this Modification Proposal. We strongly believe that bypassing the standard Code credit rules presents an unacceptable level of credit risk to the shipper community as a whole. This Proposal would also allow any non-code party, in addition to the Proposer to participate in the QSEC auctions, thereby further extending the potential credit risk to the community.

In the event that a non-code party defaults on payment for the entry capacity they have purchased in the QSEC auction, the cost will ultimately be picked up by the rest of the shipping community. The financial commitment involved in procuring large amounts of long-term entry capacity can be very significant and, as far as we understand, this may be the case for the Proposer. It is therefore, all the more important that critical credit checking processes are carried out to the full extent required under the Code, which we do not believe this Proposal would allow. In addition, as the Proposal would only allow a few days for the normal four-month process to be carried out, we believe that the timeline for implementation of Proposal is completely unrealistic.

In any case, the particular problem faced by the Proposer could be overcome through a current Code party bidding on behalf of the Proposer and/or bilateral trading of capacity, without the need for major reform of Code credit rules in highly compressed timescales.

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Yours sincerely

**Richard Fairholme** (by email)  
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