



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

E.ON UK plc
Newstead Court
Sherwood Park
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR

www.eon-uk.com

Please respond to:
Brian Durber
Tel: 01538 386923
Mob: 07768 031942

Brian.durber@eonenergy.com

22 January 2008

**Response to UNC Modification Proposals 0171 and 0171a :
Amendment of "User SP Aggregate Reconciliation Proportion"
to incorporate historical
AQ Proportions**

Dear Tim

E.ON UK is in support of Modification Proposal 0171 but not in support of Proposal 0171a.

Both Proposals seek to address the inequitable situation which currently exists whereby a shipper is potentially exposed to charges that were not born by them. As the proposals point out, this anomaly was highlighted by the recent £25.8m reconciliation issued in the South East LDZ. If implemented Proposal 0171 would allow the correct allocation of energy and transportation to the User that actually shipped the gas. The associated adjustments would be identified by any prospective errors such as offtake meters errors. The Proposal rightly does not attempt to retrospectively apply these adjustments to errors previously identified.

Proposal 0171a argues that applying adjustments to historical AQ holdings is unreasonable as the shipper would have no mechanism to recover back dated costs from customers they no longer supply. In fact those customers would have been billed at the time based upon their own metered consumption, which would have been an accurate reflection of their actual consumption. As things currently stand any such supplier would effectively have taken a 'windfall gain' from such a scenario. If shipper and supplier are different entities then their contractual relationship will be open to re-adjustment subject to Limitations legislation.

The Proposer further argues that retrospection is an undesirable central component of 0171. As mentioned above 0171 advocates carrying out adjustments identified prospectively, the associated adjustment is then applied to a prior period, currently back to February 1998. This will of course change in line with Modification Proposal 0152V, which itself is arguably a 'retrospective' change.

The key aspect to 0171 is that it removes a substantial barrier to any new entrant who currently faces the prospect, not only of facing potential unpredictable charges but that those charges would be applied completely unfairly in a manner at odds with any normal commercial arrangement, i.e. they may have to 'pay for goods they have never received'

Consequently E.ON believes that Modification Proposal 0171 would better facilitate the relevant objectives :

Standard Special Condition A11.1 (c): *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Implementation would help ensure that costs are targeted at those who incur them, facilitating the licence objective of cost reflective charges.

Standard Special Condition A11.1 (d): *so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;*

Implementation would help ensure that costs are targeted at those who incur them, consistent with facilitating the securing of effective competition.

Implementation would also remove a potential barrier to entry to any new Shippers entering the GB gas market, and those entering new areas outside of their traditional core business.

Yours sincerely

Brian Durber (by email)
Retail Regulation