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Thursday, 11<sup>th</sup> December 2008

Dear John,

**Re: UNC Modification Proposals 0230 & 0230A – Amendment to the QSEC and AMSEC Auction Timetables**

As proposer, E.ON UK **supports** the implementation of Modification Proposal 230A. We **do not support** Modification Proposal 230.

Our rationale for raising Modification Proposal 230A is, as the Proposal states to “*address the restriction of a User’s ability to bid for long-term (particularly non-incremental obligated) entry capacity in a QSEC auction, as proposed in Modification Proposal 0230.*”

Although we support the principles behind National Grid’s Modification Proposal 230 – notably capacity being released at the start of the winter period, when it is invariably required most by Shippers – we believe the transition to the proposed new auction structure is wholly unsatisfactory. The 18 month gap between QSEC auctions as proposed under Modification Proposal 230 places far too much risk onto Shippers, who will be unable to signal their long-term commitments. This 18 month gap was not known about when the last QSEC was run in September 2008 and may not be planned for. Ultimately, this could prevent or restrict gas coming to the UK which may otherwise have arrived, with the potential for security of supply problems.

For clarity, we have nothing further to add to what is already written in the proposals in respect of whether they better facilitate achievement of the relevant objectives.

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In respect of comments made in earlier representations to both Modification Proposals, particularly those made by BGT and National Grid NTS, we offer the following comments:

1. **Maintenance Plans** – we recognise that moving the AMSEC auction to July may be considered a downside for some Shippers. However, for us, this is not a major concern. Nonetheless, had another Code party raised an alternative proposal which kept AMSEC in February (or earlier in January), but still moved QSEC to March, then we may well have offered support to that proposal, too. In summary, we are largely neutral to whether the AMSEC auction continues to be held February or is moved to July (as proposed), but can see benefits in either approach.
2. **Overlap of capacity periods & prices** - Currently it could be that it is cheaper to wait until the AMSEC auction, if the price is lower, but then Shippers take the risk that the capacity is sold-out in the QSEC. We are not convinced that this issue gets any worse or better under the proposed new regime.
3. **Condensing the Auction Processes** – We can confirm that having the auction processes, including possible new arrangements under Exit reform, held close to each other do not provide us with concern; hence why we proposed the timetable under Modification Proposal 230A. We believe it is better to have sufficient options to bid for capacity than not enough.
4. **National Grid Implementation concerns** – It is a disappointing that National Grid is bringing its detailed thoughts to the table on this matter at such a late stage, but we have also observed (with frustration) this approach in NG NTS's representation on Modification Proposal 219.

Our understanding is that the legal text for Modification Proposal 230A can be structured so as to allow NG NTS to issue an invitation before implementation into Code and indeed this issue is noted by E.ON UK in its Proposal under Section 14 - "Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal".

As regards the auction overlap, we believe that National Grid NTS could find a pragmatic solution to making the unsold AMSEC auction capacity available if it could not be included in the QSEC; particularly given National Grid's recent push for greater discretion for releasing both obligated and non-obligated capacity. We note, for instance, that *Modification Proposal 216 - Introduction of an Additional Discretionary Release Mechanism for NTS Entry Capacity*, although primarily for the release of non-obligated capacity, does provide for the possibility of making unsold obligated



capacity available outside of the established auction structure. Therefore we disagree with National Grid that it would not be able to make some potentially unsold capacity available if Mod 230A were to be implemented.

Yours sincerely

**Richard Fairholme (by email)**  
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