



John Bradley
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Tuesday, 9th December 2008

Dear John,

**RE: Modification Proposal 0233 - Changes to Outstanding Energy Balancing
Indebtedness Calculation**

E.ON UK **supports** the implementation of this Proposal, which forms part of a trio of separate Modification Proposals raised following a review of Code credit rules undertaken recently by the Energy Balancing Credit Committee (EBCC).

The effect of this proposal is to provide the opportunity for a User to provide more up-to-date data for the relevant period used within the calculation of that User's 'Anticipated Relevant Balancing Indebtedness'. Where this data is accepted by National Grid NTS, it could be used to overcome difficulties associated with the current accrual methodology, which may not always give the most up-to-date view of a User's balancing indebtedness position. However, it should be clearly understood by all parties that, regardless of whether this Proposal is implemented or not, the current, established 'accrual' methodology will continue to apply in the first instance when calculating a User's energy balancing indebtedness.

Overall, we believe this proposal would give increased flexibility to the current energy balancing Code credit rules, leading to more appropriate treatment of Users in respect of energy balancing credit. This will lead to the facilitation of greater competition between Shippers.

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It would also, in the extreme, prevent unnecessary termination of a User; for instance where a User has recently taken actions to reduce their indebtedness, which would not necessarily be captured by the current accrual methodology, but may be recognised under this Proposal, if implemented. Equally, it may lead to a User Termination quicker than currently (and thereby exposing the community to less accrued debt) where the most up-to-date data indicates the need for National Grid NTS to take action (e.g. by convening an emergency EBCC meeting). In doing so, this Proposal would better facilitate the achievement of the relevant objectives as regards efficiency in the implementation and administration of the uniform network code.

Yours sincerely

Richard Fairholme (by email)

Trading Arrangements

E.ON UK