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November 9, 2009

Dear John,

**RE: Modification Proposal 0263 – “Enabling the Assignment of a Partial Quantity of Registered NTS Exit (Flat) Capacity”**

E.ON UK **supports** implementation of Modification Proposal 0263.

The ability to assign capacity holdings between Shippers, either in whole or in part, is an important tool for Shippers in helping them to efficiently optimise their capacity portfolio. This proposal, if implemented, will provide particular benefits to Shippers operating at shared supply points, interconnectors and storage offtakes.

As Proposer of the now implemented Modification Proposal 0195AV (which introduced the ‘enduring’ exit capacity reforms), we can confirm that it was always our intention to include partial assignment of exit capacity in 0195AV. However, it was only once we reached the Legal Text drafting stage (with National Grid NTS) that the complexity of the issues came to light, which had previously not been considered in detail in the development phase. Given the magnitude of change envisaged through enduring exit capacity reform, we made a conscious decision not to include partial assignment in the final Legal Text for 0195AV; hence why it is currently not catered for in Code. Modification Proposal 0263 has, in our view, properly considered the relevant issues, which as an industry we were not able to do so in detail, as part of the development of Modification Proposal 0195AV.

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Given that implementation of enduring exit reform was funded through the DN sales process in 2005, we agree with the proposer that this proposal should be classified as 100% Transporter Pays; otherwise Shippers (and ultimately customers) face the risk of paying twice for the same benefit. In addition, as Proposer, we are not aware that National Grid NTS raised any objections to having partial assignment of exit capacity included in Modification Proposal 195AV on a policy level and therefore struggle to see why they no longer believe it should be taken in the same round as enduring exit reform for funding purposes.

We agree with the proposer's rationale for the extent to which implementation of the proposed modification would better facilitate the relevant objectives and have nothing further to add in this regard.

Yours sincerely,

**Richard Fairholme**  
Trading Arrangements  
E.ON UK