



Bob Fletcher
Joint Office of Gas Transporters
First Floor South
31 Homer Road
Solihull
West Midlands
B91 3LT

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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

Dear Bob

Response to UNC Modification Proposal 0327 Alternative to Interim Allocation of Unidentified Gas

Throughout the discussions on unidentified gas, attempts have been made to quantify its magnitude. In our view 0327 presents the most straight forward approach by ignoring the individual elements and focussing on the size of the pot.

As we understand it 0327 seeks to illustrate the amount of true reconciliation and therefore determine the unidentified element. In simple terms if year on year there were no movements in AQ as part of the annual review process; and there were no LDZ input errors then any energy flowing into RbD must represent unidentified gas. As we know AQ review does produce movements and we agree with the Proposer that this represents true reconciliation.

In our response to UNC 0317 and 0317A we have highlighted our concerns that the suggested interim figure of £2.75m is not sufficient provision for the LSP sector. We believe that the figure of £121m presented in 0327 is more realistic.

However we are strongly of the view that the 0229 AUGE appointment process is completed without delay in order that proper evaluation can be carried out and firm figures be made available for April 2011 thus removing the need for an interim allocation. Should this not be the case then we support implementation of 0327.

Yours sincerely

Brian Durber
Retail Regulation (by email)