

Comments from Peter Bolitho of E.ON

Please find attached E.ON UK's comments from the last DISG meeting. Please forward as you see fit:

I would request that the licence issues at the bottom of this note be captured on your proposed issues list.

Mechanism for transition from NWC to UNC and SFCs

It was good to hear for the rationale for transformation of the NWC to Transco's SFC and the establishment of the separate UNC including transition and run-off arrangements. This debate was positive in that it at least helped raise the profile of transition and continuity plans, which will now be considered earlier by the UNC Development Forum. **Transco's NWC closure mod for 7 January still seems too late however.**

Joint Office

Despite Transco's sensitivity on the subject we remain concerned that the Joint Office rules should not in any way infringe on or undermine the Modification Rules. As you know shippers are currently reviewing these procedures in the NWC Governance workgroup. An adequately resourced joint office run at arms length from the transporters is important – given the perceived undue influence of Transco over the existing mods process. Transparency will be important in ensuring the Mod rules rightly take precedence over Joint Office rules. Still unsure why these Joint Office rules are justified as cannot these matters be set out in the Mod rules?

New/revised Licence conditions

We were pleased at the progress being made on the new licence conditions especially the NWC governance drafting. Our primary concern is to ensure the licences result in proper implementation of the Agency and Governance policy choices (noting the current uncertainties with the offtake and exit arrangements).

We would therefore like the following substantive licence issues to be logged in addition to other points mentioned in our response to Ofgem's licence consultation

Issue1 : Maintenance of the rights of existing parties to propose modifications to gas transportation arrangements.

Under the existing network code shippers are able to propose changes to market rules from 'beach to meter' this includes NTS exit and offtake arrangements or any other arrangements that currently come under the network code. These rights should not be diminished following designation of the UNC or SFCs.

Issue 2: Coordinated once a year changes to charging arrangements

We thought that a reasonable endeavours obligation to change charges once a year (with a strong customer and shipper preference for 1 October) had been agreed. We do not understand why Transco appears to be back tracking on this. In our opinion it is the benefit of certainty a once a year change (aligned to annual contracting rounds) that is important. Variation from year to year is inevitable. Customer need should take precedence over convenience for Transco. There could be some shocks from year to year but this

typically has to be considered in the context of total transportation charges to deliver gas from the beach to customer's premises (typically NTS plus LDZ charges).

Issue 3: Legality of the proposed mechanism for establishing the private CLM procedure

Given different legal views on whether Ofgem has powers under 7(B) 7(b) of the Gas Act to introduce the private CLM procedure without reference to statutory procedures, we believe it would be safer and more prudent for Ofgem to accept the restrictions of having to gain individual approval from each licensee. We cannot accept that this would necessarily result in inefficient fragmentation of the market arrangements given that in instances where permission was not forthcoming Ofgem can a) choose not pursue a particular modification across all the relevant licensees or b) alternatively get the Competition Commission to rule on the matter.