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Gas Distribution Price Control Review – Initial Consultation

Dear Joanna,

Thank you for the opportunity to respond to your initial consultation regarding the next Gas Distribution Price Control Review (GDPCR).

One of the key advantages highlighted by Ofgem in their Regulatory Impact Assessment for the gas distribution network sales process was the regulatory benefits brought about by the creation of separately owned, managed and operated gas distribution networks. We look forward to seeing the realisation of these benefits for gas consumers from the GDPCR.

There were several areas highlighted in the consultation for early decision where we would like to provide specific comments:

Xoserve

Maintaining a single central provision of shipper services by gas transporters is crucial to ensuring that the fragmentation of ownership of networks does not incur unnecessary costs to the retail gas market.

It would seem timely to examine both the funding and ownership structure of Xoserve as part of the GDPCR. The services that they provide are crucial to the operation of the retail gas market. It is therefore logical and desirable for these parties to have more control over Xoserve and the manner and range of services that they provide.

The degree to which the funding arrangements are reformed should be determined by a robust cost benefit analysis of the various options. Assuming that this analysis indicates that there is a benefit for change then we would support reform to the current funding arrangements.

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Process

The process that Ofgem intends to adopt for the GDPCR seems sensible and should allow for interested parties to be both kept informed of developments and to contribute to the debate concerning issues.

Use of Impact Assessments

We would support the use of Impact assessments when they would assist in informing the consultation process. We believe that it would be necessary to carry out a specific impact assessment regarding the future funding options for Xoserve.

Timetable

The timescale for the GDPCR seems achievable when considering the core objectives. However the question over the future funding structure for Xoserve may require considerable time and effort to resolve and it may be challenging for any proposed radical reform to be implemented within the required timescales.

Volume Based Revenue Drivers

Initial views were requested regarding potential amendments to the volume based revenue driver for gas distribution transportation charges. Ensuring that transportation charges are stable and predictable is helpful in reducing risk to the retail gas market. Any review of gas distribution charging therefore should include this as an objective.

However any adjustment to the current volume based revenue driver should also take into account the potential negative impacts that this may have upon customer energy usage. This concern is mirrored in Article 10.1 of the EU Energy End User Efficiency Directive which requires member states to ensure the removal of those incentives in transmission and distribution tariffs that unnecessarily increase the volume of distributed or transmitted energy.



If you have any queries or questions concerning our response then please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read "AGT Travell", with a stylized flourish at the end.

Alex Travell
Industry Development Manager
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