



Tom Ireland
Electricity Charging & Access Development
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

E.ON UK plc
Westwood Way
Westwood Business Park
Coventry
CV4 8LG
eon-uk.com

Paul Jones
024 7642 4829

paul.jones@eon-uk.com

8 September, 2006

Dear Tom,

GB ECM- 05: Modification Proposal to the Transmission Network Use of System charging methodology to cater for manifest errors in the calculation of TNUoS tariffs

Thank you for the opportunity to comment on the above consultation document. E.ON UK generally supports the approach set out in the document although we believe that two improvements could be made.

Our comments on the specific issues raised are as follows:

Definition of manifest error

We agree that the manifest error should relate to the following:

1. An error in the transfer of relevant data between the Transmission Licensees.
2. An error in the population of the Transport Model with relevant data.
3. An error in the function of the Transport Model.
4. An error in the population of the inputs, or function of the Tariff Model.

However, we do not believe that an error in a User's demand forecast should always be excluded from the process. We accept that Users are required to provide accurate data in accordance with section 3.10 of the CUSC and that they should be liable for their own mistakes. However, a mistake may also materially affect other Users. It would seem

E.ON UK plc
Registered in
England and Wales
No 2366970
Registered Office:
Westwood Way
Westwood Business Park
Coventry CV4 8LG

appropriate for those who are disadvantaged by the demand forecast error of another User, to be able to benefit from this process if the amount meets the materiality conditions.

Materiality

We agree that a materiality threshold should be met. The dual threshold which applies if the error is greater than +/- £0.5/kWh or +/- £250,000 appears about right.

However, we do not believe that the proposals would work adequately should more than one error occur during the same year. It would appear from the draft legal text that errors will be considered individually for the purposes of meeting the materiality threshold. Should two or more errors to occur during the same charging year, we believe that it is the aggregate effect which is important. Otherwise, a User could be affected to a combined extent which was higher than the materiality threshold and not be reconciled, because the individual effects of each error did not meet the limit. Likewise, two errors could counter balance each other to the extent that the net error does not meet the threshold, but two reconciliations would have to be undertaken because each individual error is sufficiently large in its own right to trigger the process.

Period Eligible for reconciliation

There should be a sensible time period in which Users are able to notice and claim a manifest error has occurred. However, it is also important that there is a cut off point after which Users can be certain that charges will not change. Given that most if not all potential errors would occur prior to the affected charging year when the charges are being set, it would seem reasonable to require any errors to be raised during that charging year.

Mechanics of reconciliation

We agree that it would be sensible to utilise the existing reconciliation process to make any change to User's liabilities which occur as a result of correcting a manifest error. We note from the proposed changes to the charging methodology and CUSC that only those Users who individually meet the materiality threshold will have their charges amended through the reconciliation process. We support this approach.

Yours sincerely

Paul Jones
Trading Arrangements