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Wednesday 15th September

Reference **Response to the review of top up arrangements in gas – conclusions document**

Dear Kyran

E.ON UK supports the introduction of safety monitors to replace the current top-up arrangements. We are generally supportive of moves, which ensure Transco plays as residual part as possible in the wholesale gas market. We share concerns with many industry participants that the current top-up arrangements have a distorting affect on market prices and signals and we feel that the proposal to remove top-up from Transco's safety case is a positive step towards allaying some of these concerns.

Nevertheless, we recognise that for security of supply purposes there is probably still a role for Transco to intervene in the market to ensure sufficient gas can be brought to the market when needed. In the event that a terminal is unable to supply at very short notice, the market may be physically incapable of responding in sufficient time. In such circumstances, we accept that this may necessitate Transco interruption for supply/demand balancing purposes. We anticipate that the proposed revisions to the SMPS¹ will ensure that it can be demonstrated by Transco that the market must have been exhausted first, before any such actions are taken.

¹ Please refer to our comments on Transco's Revisions to the SMPS, which we consider to be in parts, so loosely drafted as to allow Transco to intervene in the market at other rimes, at its discretion.

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We have argued in our response to Transco's proposed modification to remove top-up arrangements from the Network Code, that the proposal places more reliance on the market to respond to provide supply/demand balance, consistent with the principle behind the amendments to the System Management Principles Statement to prevent Transco from intervening in the market before all market solutions have been exhausted.

We also welcome the provision of greater information on storage levels, as part of this proposal, which should increase the ability for the market to respond.

Considering the tight timescale within which to make the proposed changes, we look forward to hearing in the near future, some form of assurance from storage operators in regards to the type of information they are willing to publish. It is essential that sufficient information is published to allow the market to react to supply/demand balance within satisfactory timescales.

I hope you have found these comments useful.

Yours sincerely

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