

## **CODE MODIFICATION PROPOSAL No. xxxx (2)**

"Independent security provision by an entity with an Investment Grade Rating of 'A' or above."

Version 0.3

**DRAFT**

**Date:** xx/xx/2005

**Proposed Implementation Date:** 01/10/2005

**Urgency:** Non-Urgent to consultation

### **Proposer's preferred route through modification procedures and justification for Urgency (if applicable)**

*This Modification Proposal has been developed within the Uniform Network Code Distribution Workstream. General consensus on its objectives was forthcoming. 'Proceed to consultation' is therefore requested.*

### **Nature and Purpose of Proposal**

This proposal is one of five which seek to implement recommendations identified within Ofgem's conclusion document "**Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover**" 58/05. This concluded the high-level principles that should be applied and further work required in respect of credit cover arrangements for transportation.

Where a User requests an unsecured credit limit a credit rating is required. If an acceptable published rating is already available, this will/would be used. Alternatively, a User may arrange for an assessment by a recognised independent credit rating agency. Currently, Transco would accept credit support for an entity with BBB- rating or above.

It is proposed that independent security valued at 100 per cent of face value would be accepted subject to the following conditions:

- Credit support must be from an entity with a long term debt rating of not less than A by Standard & Poor's or Moody's KMV;
- Credit support shall be legally enforceable in the UK.
- The country of residence of the support provider must have a sovereign credit rating of A or better from non-local currency obligations.
- There are no material conditions preventing exercise of the security.

**Basis upon which the Proposer considers that implementation of the Modification proposal would better facilitate the achievement of the Relevant Objectives**

Transco believes that the measures identified within this Modification Proposal further the GT Licence 'code relevant objective' of facilitating the efficient and economic operation by the licensee of its pipe-line system by ensuring that robust procedures and best practice measures are in place to minimise the impact on the industry of User failure.

**Further information - likely impact on systems, processes or procedures, implementation timescales and suggested text**

Minimal changes would be required in respect of operational processes and procedures and therefore this Modification could be implemented with immediate effect if appropriate direction is received from the Authority.

**Code Concerned, sections and paragraphs**

Uniform Network Code Section V3.1

**Proposer's Representative**

Chris Warner

**Proposer**

Declan McLaughlin

**Signature**

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