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Modification Proposal 0336
'The Introduction of a Balancing Neutrality Adjustment Charge for Cost Recovery
Associated with Rating Services'

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal. National Grid NTS has raised the Modification Proposal on behalf of the Energy Balancing Credit Committee (EBCC) and supports its implementation. We believe that this Modification Proposal demonstrates a pragmatic approach to recovering the cost associated with providing greater assurance to mitigating the potential risk the community could face from User default in the current financial climate.

The Modification Proposal seeks to amend the UNC to enable the appropriate recovery of costs associated with the procurement of credit risk information services provided by Credit Rating Analytic Services from third parties. We believe that it is appropriate for National Grid NTS's Agent to recover the costs associated with the procurement of this service from Users since the request to provide this additional service was received from, and agreed by, the EBCC representatives and the risk that it mitigates is one which is borne by Users.

Extent to which implementation of the proposed modification would better facilitate the relevant objectives:

National Grid NTS considers that this Modification Proposal, if implemented, would better facilitate Standard Special Condition A11.1 (f), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code, by ensuring that costs incurred in the procurement of credit risk information services are recovered via an appropriate and established route.

National Grid NTS would like to take this opportunity to advise the industry that its final legal text will not refer to specific companies i.e. Moody's and Standard and Poors, but will instead be generic as suggested in the business rules i.e. "for the procurement of Credit Rating Analytic Services from third parties". National Grid NTS considers this to be more efficient as it will enable National Grid NTS Agent to procure these services from other third parties without having to raise a further Modification Proposal.

National Grid NTS also notes that the Draft Modification Report omits to mention the section of UNC that is proposed to be amended, therefore we would also like to clarify that the proposed text constitutes an amendment to section F4.5.3(a) and inclusion of X2.2.6 (c) of the UNC TPD.

Please let me know if you require any further information to enable preparation of the Final Modification Report.

Yours sincerely

Louise McGoldrick