

**Draft Modification Report**  
**Failure to Pay Cash Call Notice (reduced timescales)**  
**Modification Reference Number 0737**

Version 1.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

## **1. The Modification Proposal**

This Proposal aims to reduce the lapse time period between issuing a failure to pay cash call notice and convening an emergency Energy Balancing Credit Committee (EBCC) meeting to determine whether or not to issue a Termination Notice, from three Business Days to one.

With regard to Cash Calls, payment of Cash Call notices, failure to pay notices and Termination Notices, the Network Code currently sets out the following timescales: Where Transco submits a Cash Call notice and the User does not successfully appeal such notice the User is obliged to make payment in full of the Cash Call amount on the Business Day following the Day on which the Cash Call was made. Where payment is not made Network Code Supplement Su 2.9.1 states that "Transco shall be entitled to, and as soon as reasonably practicable after Business Day will, submit to the User a notice substantially in the form set out in the Energy Balancing Credit Rules (EBCR), notifying the User that Transco will give Termination Notice to the User if the User does not pay the amount of the Cash Call in full by the 3rd Business Day after the date of such notice".

Following discussion about defaulting debtors at the EBCC it has been decided that three Business Days is an excessive period for the expiration of the notice described in Su 2.9.1 (failure to pay Cash Call notice) and that it would be more appropriate to allow only one Business Day for compliance, prior to convening an operational meeting of the EBCC to determine whether or not to issue a Termination Notice. It is also proposed that the wording in section Su 2.9.3 should be amended to reflect that Transco will refer to the EBCC prior to issuing a Termination Notice in line with X2.9.7 (introduced by Modification 0686: Amendment to Pre Termination Processes and Associated EBCC Referrals).

## **2. Transco's Opinion**

It is Transco's opinion that this Modification Proposal should be implemented.

This Modification Proposal aims to reduce the lapse time period between issuing a failure to pay cash call notice and convening an emergency EBCC meeting to determine whether or not to issue a Termination Notice, from three Business Days to one.

Transco's view is that if this Modification Proposal were not implemented the current level of risk posed by defaulting debtors would remain. In Transco's opinion the Proposal serves to protect the shipping community against potential losses in the event of a User default.

**3. Extent to which the proposed modification would better facilitate the relevant objectives**

Following a review by Transco of the Section X of the Network Code and the Energy Balancing Credit Rules (EBCR), it was identified that by revising the rules governing the management of the Cash Call process, the level of risk faced by Users could be reduced. Such a revision would further the objectives of the EBCR, namely to “develop and maintain a Framework for limiting the risk of financial loss to the shipper community resulting from the operation of the Energy Balancing regime”. The principles have been discussed within the EBCC, and in accordance with its recommendation, Transco raised this Modification Proposal.

The measures contained within this Modification Proposal meet Transco's GT Licence 'code relevant objective' of facilitating the efficient and economic operation of its pipe-line system.

**4. The implications for Transco of implementing the Modification Proposal , including**

**a) implications for the operation of the System:**

No such implications have been identified.

**b) development and capital cost and operating cost implications:**

No such costs would be incurred by Transco.

**c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**

Transco does not propose any additional cost recovery.

**d) analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequences have been identified.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal**

The level of Transco's contractual risk is not impacted by implementation of this Modification Proposal.

**6. The development implications and other implications for computer systems of Transco and related computer systems of Users**

No such implications have been identified.

**7. The implications of implementing the Modification Proposal for Users**

Provides Users with additional protection against potential losses in the event of a User default.

**8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party**

No such implications have been identified.

**9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal**

No such consequences have been identified.

**10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

Advantages:

- Reduces the financial risk posed by defaulting debtors thereby protecting the shipping community against potential losses in the event of a User default.
- Facilitates a specific recommendation of the Energy Balancing Credit Committee.

Disadvantages:

- No disadvantages have been identified.

**11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Representations are now invited.

**12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation**

Implementation is not required to facilitate such compliance.

**13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence**

This Modification Proposal is not required to facilitate any such change.

**14. Programme of works required as a consequence of implementing the Modification Proposal**

No program of works are required.

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

This Modification Proposal may be implemented with immediate effect.

## **16. Recommendation concerning the implementation of the Modification Proposal**

Transco recommends that this Modification Proposal be implemented.

## **17. Text**

### **SECTION X: ENERGY BALANCING CREDIT MANAGEMENT**

*Amend paragraph 2.9.1 to read as follows:*

"Where a User ... that Transco may give Termination Notice to the User if the User does not pay the amount of Cash Call in full by the Business Day following the date of such notice".

*Amend paragraph 2.9.3 to read as follows:*

"Where Transco ... in the notice in full after one Business Day following ... Transco shall be entitled to and after such Business Day subject to paragraph 2.9.7 may give Termination Notice..."

*Amend paragraph 2.9.7 to read as follows:*

"Before Transco shall ... as soon as reasonably practicable on or after one Business Day following the date ..."

***Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report***

Signed for and on behalf of Transco.

Signature:

**Declan McLaughlin**  
**Commercial Manager, Customer Services**

**Support Services**

Date: