

OFGEM DECISION LETTER No. 0521

"Where a guarantor is downgraded to any speculative rating, removal of the notice period required for the revision of a User's Secured Credit Limit and Code Credit Limit"
Version 1.0

Direct Dial: 020-7901-7355
02 January 2002

Transco, Shippers and Other Interested Parties

Your Ref:
Our Ref : Net/Cod/Mod/0521

Dear Colleague,

Modification Proposal 0521: Where a guarantor is downgraded to any speculative rating, removal of the notice period required for the revision of a User's Secured Credit Limit and Code Credit Limit.

Ofgem has considered the request from Transco for modification proposal 0521, "Where a guarantor is downgraded to any speculative rating, removal of the notice period required for the revision of a User's Secured Credit Limit and Code Credit Limit" to follow urgent procedures. We do not agree that this modification merits urgent status.

This modification proposes to reduce the notice period that Transco is required to give when it revises a User's Secured Credit Limit. It is proposed that where a credit rating is revised downwards, the existing 30 day notice period shall no longer apply. Transco shall be entitled to reduce the Secured Credit Limit and the Code Credit Limit immediately to either zero or to a level that is securitised by a third party.

This modification was initially discussed during the period when Enron entered Administration but was not proposed immediately. Ofgem acknowledge that the Energy Balancing Credit Committee recommended that the proposal follow urgent procedures. However, in the present circumstances, we do not believe that this is appropriate; we believe that the changes this proposal is seeking to make could be dealt with through the normal modification process within a relatively tight timescale. Nevertheless, if circumstances in the market materially change we would consider a further request for urgency on a new modification regarding this issue.

If you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

Nick Simpson
Director, Industry Codes