

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0525

"Termination of User who seeks or becomes subject to the appointment of an administrator, liquidator, conservator, trustee or similar official for it or for all or substantially all of its assets."

Version 1.0

Date: 14/01/2002

Proposed Implementation Date:

Urgency: Non-Urgent

Justification

Following the failure of Independent Energy and the appointment of a receiver both Transco and the Energy Balancing Credit Committee (EBCC) experienced unacceptable delays in the establishment of meaningful dialogue with the Receiver to secure a commitment to honour the ongoing energy balancing debt. Throughout this period of uncertainty, the community's potential unsecured debt was escalating dramatically.

In order to address this problem, Mod 475 was raised by TotalFinaElf Gas and Power Ltd., developed by the Energy Balancing Credit Committee (EBCC) and recently implemented. In essence, Modification 475 removed Transco's discretionary power to issue a termination notice to a User upon the appointment of a receiver. This was replaced by an obligation that Transco, if directed to do so by the EBCC, to terminate a User that has entered into receivership, unless a satisfactory written is received from the receiver that it will pay Transco all the energy balancing debt accrued from the date of appointment. The termination notice will not be issued in less than two business days of Transco being notified that a receiver has been appointed.

Whilst Mod 475 specifically related Transco's termination obligation to the appointment of a receiver, the underlying principle of applying the termination notice applies equally to certain other financial circumstances envisaged and discussed by the EBCC during the development of Mod 475. Recent developments involving the EBCC, resulting in the termination of a User, but not specifically associated with the appointment of a receiver, have highlighted that the Transco termination obligations specified in Mod 475 should, in future, also apply to other similar financial circumstances. These should now include; when a User seeks or becomes subject to the appointment of an administrator, liquidator, conservator, trustee or similar official.

Nature of Proposal

If a User seeks or becomes subject to the appointment of a receiver, administrator, liquidator, conservator, trustee or similar official, unless a written commitment is provided that is satisfactory to the EBCC, Transco will be obliged, if directed to do so by the EBCC, to issue a termination notice to a User. The written commitment represents an assurance from the receiver, administrator, trustee, liquidator or similar official that it will pay Transco all the energy balancing debt accrued from the date of appointment. The termination notice will not be issued in less than two business days of Transco being notified of any such appointment.

Purpose of Proposal

Following on from the introduction of Mod 475, implementation of this proposal would further ensure that, debt escalation is stymied and will encourage the proper allocation of any costs incurred whilst the User remains in receivership, administration or other similar circumstances.

Consequence of not making this change

The community will continue to be burdened with the risks associated with a User unable to fulfil its obligations regarding the payment of Energy Balancing Debt. The smearing of these uncontrolled costs may seriously jeopardise an individual Users ability to operate in the UK Gas Market.

Area of Network Code Concerned

Section V 4.3

Network Code Supplement: Energy Balancing Credit Management

Section 3: Payment of Energy Balancing Invoices

Proposer's Representative

Brian Horton (TotalFinaElf Gas and Power Limited)

Proposer

Brian Horton (TotalFinaElf Gas and Power Limited)

Signature

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