

## **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0612**

"In the Event of User Insolvency all Network Code Charges shall become Immediately Payable"  
Version 4.0

**Date:** 13/02/2003

**Proposed Implementation Date:**

**Urgency:** Non-Urgent

### **Justification**

Although there are Network Code provisions that allow Transco to terminate a User immediately upon insolvency, this may not be the best course of action for the industry as a whole and, as such, a User would continue to be party to the Network Code.

Where this is the case, the existing provisions regarding invoice schedules and payment periods, detailed in Section S of Network, would continue to apply. Transco believes that in these circumstances it is appropriate to reduce credit exposures promptly in order to protect both the industry and Transco from bad debt. By revising the invoice scheduling provisions in the Network Code, Transco could, at its discretion, accelerate the issue of invoices and stipulate immediate settlement terms.

By allowing Transco to immediately invoice for all services supplied up to the point of insolvency, and to invoice for services as they are subsequently consumed independently of the existing invoice schedules, indebtedness is reduced. This would allow any default to be dealt with immediately, reducing the risk of further bad debt exposure. In addition, invoices for services consumed prior to and post insolvency would become immediately due, allowing Transco to claim on any instruments of security that may otherwise expire. This would enhance the prospects of recovery and reduce the potential for unsecured credit exposures and bad debt neutrality adjustments.

### **Nature of Proposal**

Where a User becomes insolvent, that is, a receiver, administrator, trustee-in-bankruptcy or other insolvency practitioner, either foreign or domestic is appointed, but a termination has not been effected;

- Transco would have the right to immediately submit invoices for all services supplied up to and including the effective date of insolvency.
- Transco would have the right to invoice for all services consumed post the date of insolvency at intervals determined at its discretion to be appropriate.
- All invoices, irrespective of when issued, would be deemed to be immediately due for payment.
- Additionally, where appropriate, Transco would have the right to estimate invoices,

(typically, but not exclusively, relating to energy balancing or reconciliation). Where such an invoice is issued, following any close-out period or actual data becoming available, Transco would reconcile the invoice and issue an adjustment.

- These provisions would apply to both Energy and Transportation charges.

### **Purpose of Proposal**

Upon insolvency, by ensuring that all services previously consumed or, required in the future, can be invoiced with immediate settlement terms, the probability of recovery increases. Each Energy Balancing invoice settled reduces industry risk to bad debt smears. These measures would reduce risk for all parties concerned and, therefore, could be expected to facilitate a more competitive environment for shippers to operate in.

### **Consequence of not making this change**

Failure to implement this proposal may leave Transco and remaining Users open to avoidable financial exposure in the circumstances described above, particularly where instruments of security held are due to expire in the short term. Exposures will be dependent upon the size of shipper portfolio and mix of supply points and could have the potential to be significant.

### **Area of Network Code Concerned**

Section S1 and S3

### **Proposer's Representative**

Alan G Raper (Transco)

### **Proposer**

Michelle Wilson (Transco)

### **Signature**

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