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29 July 2010

Dear Bob,

### **Modification Proposals 0298 – 0309**

**0298** - RG0252 Proposal 1 - Amend and remove UNC TPD Section V3 text inconsistencies, errors and bi-lateral insurance clause

**0299** - RG0252 Proposal 2: Alignment of portfolio sanctions across UNC TPD Sections V and S Version 2.0

**0300** - RG0252 Proposal 3: Introduction of Fitch as an allowable Credit Rating Agency for the purposes of Code Credit Arrangements

**0301** - RG0252 Proposal 4: Removal of the use of Specially Commissioned Ratings for the purposes of obtaining an Unsecured Code Credit Limit

**0302** - RG0252 Proposal 5: Definition of Regulatory Asset Value (RAV) when calculating Maximum Unsecured Credit

**0303** - RG0252 Proposal 6: Obligation for Users to maintain a Code Credit Limit and at a reasonable level

**0304** - RG0252 Proposal 7: Introduction of a rating table for independent credit rating agencies for use with Independent Assessments

**0305** - RG0252 Proposal 8: Unsecured Credit Limit allocated through payment history

**0306** - RG0252 Proposal 9: Administration of Shipper Credit Security Contact Details

**0307** - RG0252 Proposal 10: Alignment of Defaulting User Threshold with Insolvency Act (1986) Threshold

**0308** - RG0252 Proposal 11: Appropriate use of the terms Surety and Security in UNC TPD Section V

**0309** - RG0252 Proposal 12: Timeframes for establishing and extending Guarantees and Letters of Credit

Thank you for your invitation seeking representations with respect to the above Modification Proposals. This response is on behalf of National Grid Gas Transmission.

National Grid Transmission was a member of Review Group 0252 'Review of Network Operator Credit Arrangements' (RG0252) and was therefore party to the discussions and analysis carried out in the Review Group meetings. We believe that RG0252 has worked well and resulted in a number of well developed and justified Modification Proposals which are consistent with the recommendations of RG0252.

## **0298, 0299, 0300, 0301, 0302, 0303, 0304, 0307, and 0309**

National Grid Transmission supports the following modification proposals; 0298, 0299, 0300, 0301, 0302, 0303, 0304, 0307, and 0309.

We agree with the proposers' views that the implementation of these proposals would be in line with the licence objectives outlined in the individual proposals.

We also believe that these proposals facilitate the provision of responsible credit in line with the Authority's 'Best practise guidelines for gas and electricity network operator credit (BPG).

## **0305; RG0252 Proposal 8: Unsecured Credit Limit allocated through payment history**

As proposer of 0305, we believe that the background and nature of this proposal were fully discussed and developed with the industry via the RG0252 meetings.

In regard to the issues addressed within proposal 0305, RG0252 discussed several potential options for changing the way payment history is currently accrued. Given the cross over with independent credit assessment, the initial preference was to remove payment history as a credit tool. However, following consideration of the views of some small Users regarding the potential impact on competition it was recognised that new entrants may have difficulty obtaining a full independent assessment until they have been trading for a period of time.

To address both of the above positions Modification Proposal 0305 seeks to limit unsecured credit allocated through payment history to new entrants only, and allows unsecured credit to be accrued over a maximum of 2 years from the point Users accede to the UNC. After such time the User would be required to choose an alternative credit tool, National Grid Transmission believes this approach will provide responsible credit in line with the BPG and limit the exposure to the community of a credit default. It should be noted that a track record of good payment with one supplier does not reflect a sound payment history across all suppliers as those who are deemed more important to the User will be paid first. The Independent Assessment tool reflects a payment history rating across all suppliers rather than solely to the Transporter which is all the payment history tool is able to consider.

It is worth noting that if this proposal is implemented it will create a consistent approach relating to the administration errors of late payments, within the gas (UNC) and electricity ((Connections and Use of System Code (CUSC)) regimes.

In summary National Grid Transmission supports Modification Proposal 0305 and believes the implementation of this proposal will better facilitate the relevant objectives within the Gas Transporters licence regarding efficiency and facilitating competition (A11 1d), by confining the potential exposure/costs that maybe incurred by gas transporters, shippers and ultimately consumers, as a result of a User credit default this Modification Proposal will reduce a possible barrier to entry and may subsequently increase competition. We believe limiting payment history to new entrants and restricting its usage to the initial 2 years following accession to the UNC does not prevent such Users from entering the market place.

**0306 - RG0252 Proposal 9: Administration of Shipper Credit Security Contact Details**

National Grid Transmission offers qualified support for modification proposal 0306.

Whilst we agree with the principles of the proposal as the cost of implementing this change is yet to be determined we are unable to make a full assessment of the proposal and therefore we are only able to offer qualified support at this time. If as expected the costs are minimal then we agree that there are sufficient merits and benefits in this proposal to warrant implementation and that this would be in line with the licence objectives outlined in the proposal.

**0308 - RG0252 Proposal 11: Appropriate use of the terms Surety and Security in UNC TPD Section V**

National Grid Transmission offers qualified support for modification proposal 0308.

We do not necessarily agree with the table setting out the meaning of surety and security, however looking at the suggested text in detail, we do not believe that there is a detrimental impact to the meaning of each clause.

We would suggest that for clarity Surety and Security is added as a defined term for the purposes of Section V of Code, this would prevent any potential inconsistencies with the context of Surety and Security in the different Sections of Code.

In summary, National Grid Transmission Supports 0298, 0299, 0300, 0301, 0302, 0303, 0304, 0305, 0307, and 0309, and offers qualified support for 0306 and 0308.

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

Yours sincerely

Beverley Viney