

CODE MODIFICATION PROPOSAL No. 0027
"Right of Set Off under Uniform Network Code"
Version 1.0

Date: 09/06/2005

Proposed Implementation Date: 01/10/2005

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

This Modification Proposal has been presented to the Uniform Network Code (UNC) Distribution Workstream. Further clarification and development is required and therefore referral to the Distribution Workstream is requested.

Nature and Purpose of Proposal (including consequence of non implementation)

This Proposal is one of five which seek to implement recommendations identified within Ofgem's conclusion document "*Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover*" 58/05. This concluded the high-level principles that should be applied and further work required in respect of credit cover arrangements for transportation arrangements.

This Proposal seeks to implement recommendations detailed within paragraph 3.49 of the conclusion document.

Under the UNC, Transporters may issue either credit or debit invoices to Users, payable by the Transporter or the User within terms specified in the UNC.

Historical evidence demonstrates that the net position is usually that a User owes the Transporter more than the Transporter owes to the User.

It would be beneficial to Transporters and Users in terms of administration burden if (in respect of Transportation services only) a Transporter had the ability to offset amounts it was due to pay to the User against any invoice value that the User is due to pay the Transporter.

This right of set off would only be available where:

- a. the relevant Transporter was the same party in respect of both the credit and debit amounts, and
- b. the relevant User was the same party in respect of both the credit and debit amounts.

Currently UNC Section S3.3 does not permit offsets and therefore Transco proposes that the UNC be modified to permit the off set of User credit amounts against User debit amounts (in respect of Transportation services only) as recommended within Ofgem's Consultation.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Transco believes that the measures identified within this Modification Proposal further the GT Licence 'code relevant objective' of facilitating the efficient and economic operation by the

licensee of its pipe-line system by ensuring that robust procedures and best practice measures are in place to minimise the impact on the industry of User failure.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

Changes would be required in respect of operational processes and procedures. A lead-time of one month will be required for implementation of the Modification if so directed.

Code Concerned, sections and paragraphs

Uniform Network Code Sections S3.1, S3.5 & S 3.6.

Proposer's Representative

Chris Warner (National Grid Transco - UKD)

Proposer

Declan McLaughlin (National Grid Transco - UKD)

Signature

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