

## **CODE MODIFICATION PROPOSAL No. 0032**

"Adjustment to the number of days in the V A R calculation to bring the Code Credit Rules into line with the Best Practice Guidelines, Conclusions document Feb 2005"

Version 1.0

**Date:** 07/07/2005

**Proposed Implementation Date:**

**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](http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf))

The Proposer requests that this Modification Proposal be developed within the Uniform Network Code (UNC) Distribution Workstream.

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

This Proposal is one of two which seek to implement some of the 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.

This Proposal seeks to implement the recommendation detailed within paragraph 3.30 of the conclusion document.

The Value at Risk mechanism is a widely established process to determine the predicted level of business activity and to determine the basis for the calculation of the Code Credit Limit. For a new User a value of 63 days of peak trading activity is used .

It is proposed that 46 days peak trading activity is used for both existing and new users in the calculation of the Code Credit Limit for Use of System charges:

- The Best Practices Guidelines recommends that the VAR for UOS charges should be the sum of all the Charges billed plus 15 days worth of the same daily average implied in the billed charges.
- UoS charges are billed on a monthly basis, as the majority of months have 31 days it seems reasonable to use this as part of the equation. Thus 31 +15 make the 46 days proposed.

**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**

RWE npower 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 reduce 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**

RWE npower believes that minimal changes would be required in respect of operational processes and procedures and therefore this Modification could be implemented with immediate effect if appropriate direction is received from the Authority.

**Code Concerned, sections and paragraphs**

Uniform Network Code Section V3.1

**Proposer's Representative**

Simon Howe (RWE Npower Plc)

**Proposer**

Chris Harris (RWE Npower Plc)

**Signature**

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