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Your Reference 0077

Re: Modification Proposal 0077; Notice Period for Code Credit Limit Revision (as a consequence of Credit Rating downgrade) and remedies for non-compliance with a request for provision of additional security

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

As the initiator, National Grid supports implementation. Further to the direction from the Authority not to implement UNC Modification Proposal 0025, we reviewed the reasons for this direction detailed within the decision letter. National Grid subsequently raised this Proposal which we believe addresses the principal concerns expressed by the Authority. Thus this Proposal

- requires amendment of the unsecured credit limit with effect from the third business day following the rating downgrade by the Credit Rating Agency, and
- does not advocate that all monies become overdue and payable where a User fails to provide the additional security required.

Timely revision of credit security arrangements in response to the reduction of available Unsecured Credit (in response to an Investment Grade Rating downgrade) is vital in terms of minimising financial risk to Transporters and potentially Users. Current Uniform Network Code Provisions afford Users 30 days to rectify such a position but, as identified within the Ofgem Conclusions Document, we believe that three Business Days is sufficient for Users to lodge additional security.

We agree with the recommendation outlined within Ofgem's Conclusions Document in respect of the levy of interest and administration charges (which are not extreme or excessive) to Users in the event that the Credit Security arrangements are not in place within the required timescale. Accordingly, the charges proposed are those detailed within the Late Payment of Commercial Debts (Interest) Act 1998.

The incorporation of provisions within the Uniform Network Code that require timely response to credit rating downgrades facilitates the securing of effective competition between Relevant Shippers.

Yours sincerely

Declan McLaughlin
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