

Mr Julian Majdanski

Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Rd  
Solihull  
B91 3QJ

Ritchard Hewitt

Gas Codes Development Manager  
Commercial  
UK Transmission  
National Grid

07733 001817  
01926 655861

[Ritchard.Hewitt@uk.ngrid.com](mailto:Ritchard.Hewitt@uk.ngrid.com)

[www.nationalgrid.com](http://www.nationalgrid.com)

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**UNC Modification Proposal 0102**  
**'Removal of Failure Notice in respect of Energy Balancing Credit'**  
**UNC Modification Proposal 0103**  
**'Introduction of the right for the Energy Balancing Credit Committee to instruct National Grid NTS as to appropriate Recovery Steps in respect of Energy Balancing debt'**

Dear Julian,

Thank you for your invitation seeking representation with respect to the above Modification Proposals.

National Grid NTS (NG NTS) supports the implementation of both Modification Proposals UNC0102 and UNC0103.

Following the two recent terminations during Winter 2005/06 the community has become concerned over the timeliness of the Energy Balancing Credit Committee's (EBCC) ability to take Recovery Steps in order that any financial exposure to the community may be kept to a minimum. We believe that the intent of these two Proposals is to ensure that such recovery actions can be taken at the earliest opportunity.

NG NTS considers that, if implemented, both Proposals may better facilitate relevant objective SSC A11 1(a), as set out in NG NTS Gas Transporters Licence, insofar as the Proposals seek to introduce improved procedures and best practises through which the level of Energy Balancing financial risk, relating to User default, may be

minimised. Additionally NG NTS believes that reducing the impact of such avoidable financial risk on the community facilitates a regime which is conducive to the promotion of greater competition as defined under SS11 1(d) of the Gas Transporters Licence.

NG NTS agrees with the proposer that the proposed changes demonstrate continued development of Energy Balancing Credit Rules (EBCR) objectives, namely to *“develop and maintain a Framework for limiting the risk of financial loss to the shipper community resulting from the operation of the Energy Balancing regime”*.

### **MP UNC0102 - ‘Removal of Failure Notice in respect of Energy Balancing Credit’**

NG NTS agrees with the Proposer, and the proposed text, that by removing the Failure to pay Cash Call notice, Failure to Supply Further Security Notice and failure to pay Energy Balancing Invoices notice; removes the lapse periods between User failure to pay Cash Call, Further Security Failure Day and failure to pay Energy Balancing Invoice in full by the Invoice Due Date and the issue of a Termination Notice. We believe that if implemented these changes may reduce the risk from avoidable financial exposure by providing NG NTS with a more *‘rapid process of escalation to the EBCC to determine issue of the Termination Notices’*.

### **MP UNC0103 – ‘Introduction of the right for the Energy Balancing Credit Committee to instruct National Grid NTS as to appropriate Recovery Steps in respect of Energy Balancing debt’**

NG NTS is satisfied that the text for this Proposal provides NG NTS with sufficient protection from any losses sustained, as a result of the Energy Balancing Debt recovery process, which under prevailing UNC rules NG NTS may not have been able to be recover through X3.4.4 and X3.4.6.

NG NTS supports the view that the proposed changes to the Energy Balancing Debt Recovery should not prevent or delay NG NTS, in the recovery of its Transportation Debt. We note that this Proposal effectively separates Recovery Steps for Transportation and Energy Balancing Debt.

Under prevailing arrangements NG NTS considers whether, in respect of Transportation Debt, it is commercially worthwhile to take Recovery Steps. On the basis of its considerations NG NTS is entitled to discontinue taking Recovery Steps, where the EBCC has authorised it to do so. This Proposal seeks to remove any NG NTS consideration as to whether it is commercially worthwhile to take such Recovery Steps in respect of Transportation Debt and therefore removes any interaction between Transportation and Energy Balancing Debt.

We believe that this Proposal will align NG NTS Transportation Debt Recovery arrangements with those of other Transporters Transportation Debt recovery. If implemented this Proposal will remove any perceived advantage NG NTS may have above other Transporters, in respect of Debt Recovery. NG NTS considers that this may better

2

facilitate the relevant objective defined in the Gas Transporters Licence SS11 1(b) - *“the coordinated, efficient and economic operation of the (i) the combined pipeline system”*.

We note that the Proposal suggests that upon authorising the issue of a Termination Notice the EBCC will convene a meeting, the scope of which should address, but is not limited to, the bullet points provided in section 1 of the draft Modification Report. We understand that the details of these information provision requirements will be included as part of the EBCR and note, therefore, that such a list will not be incorporated into the proposed UNC text. We agree that it is appropriate for this level of information provision to be included as part of the EBCR and reside outside of the UNC.

Please let me know if you, or the SME assigned to this Proposal, require any further information to enable preparation of the Final Modification Report.

Yours sincerely

Ritchard Hewitt