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Your Reference 0107

Re: Modification Proposal 0107, Specially Commissioned Credit Ratings

Dear Julian,

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

As the proposer National Grid (UK Distribution) (UKD) offers support for implementation of this Proposal.

UKD has raised a suite of UNC Modification Proposals which seek to implement industry best practice measures in respect of credit cover which were identified in Ofgem's Conclusions Document "*Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover*". This proposal seeks to implement elements of section 3.8 (other aspects of this section were the subject of Modification 0031 which was implemented on 20 January 2006) which recommends that Transporters afford Users a level of unsecured credit on the basis of Specially Commissioned Credit Ratings.

UKD recognises Ofgem's preference for key credit cover arrangements to be set out in commercial codes in the interests of transparency¹ and accordingly raised this proposal. Whilst acknowledging that allowance of such ratings may increase the volume of unsecured credit, we believe that the degree of risk (i.e. the likelihood of individual User failure) would not be greater given that the minimum acceptable ratings and level of credit entitlement in respect of each rating is proposed to be equivalent to that afforded to Users with an Approved Credit Rating.

If you require any further information in respect of this representation please contact Chris Warner on 07778 150668 or email chris.warner@uk.ngrid.com.

Yours sincerely

Phil Lawton
Distribution Regulation Manager

¹ Ofgem document '*Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover*' 58/05 – Summary
National Grid is a trading name for: