

## TOTAL GAS & POWER LIMITED

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Dear Julian,

### **Modification Proposals 0112 "Aggregation of Credit Positions or Use of Group Ratings"**

Total Gas & Power Limited supports the implementation of Modification Proposal 0112.

#### **Our comments are as follows:**

At present each Transporter may determine how a Parent Company Guarantee or aggregated group position is handled in securing any financial exposure a Shipper may incur. Though each Transporter currently operates broadly similar criteria, they may diverge in the future. It therefore seems appropriate that a consolidated set of guidelines are incorporated within the UNC.

With regard to the criteria that are detailed within the modification, we agree that they are appropriate.

#### **Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

##### ***Gas Transporter Licence Standard Special Condition A11.1***

(a) ***the efficient and economic operation of the pipe-line system to which this licence relates;***

Does not apply to this objective.

(b) ***so far as is consistent with sub-paragraph (a), the coordinated, efficient and economical operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;***

Does not apply to this objective.

(c) ***so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

Does not apply to this objective.

(d) ***so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:(i) between relevant shippers;(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;***

Creating a consistent set of arrangements with regard to PCGs will help simplify the



current arrangements, and so help encourage competition between Shippers.

- (e) *so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers’ licences) are satisfied as respects the availability of gas to their domestic customers; and*

Does not apply to this objective

- (f) *so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.*

Does not apply to this objective.

### **The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

Consolidating acceptable group rating and PCG criteria into the UNC will help prevent future industry fragmentation.

### **The implications for Transporters and each Transporter of implementing the Modification Proposal, including**

#### **a) implications for operation of the System:**

No implications identified for Transporter Networks.

#### **b) development and capital cost and operating cost implications:**

We do not anticipate that any significant development, capital or operating cost implications will be incurred.

#### **c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

We do not anticipate any costs requiring recovery outside of allowed revenue

#### **d) analysis of the consequences (if any) this proposal would have on price regulation:**

No consequences identified.

### **The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

As we not anticipate there to be a significant change in the types and level of credit currently lodged with Transporters due to this modification, we do not expect any change in contractual risk.

### **The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**



No changes are anticipated.

**The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

Only Users with a type of PCG or group rating that is offered by a Transporter, but which will not be detailed within the UNC, will be affected by this change. We do not anticipate there to be a significant number of Users affected.

**The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party**

No implications identified.

**Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

Specifying what forms of credit may be utilised by Shippers, clarifies the nature of the contractual relationship between Transporters and Shippers with regard to securitisation.

**Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**We have identified the following advantages:**

- Codifies current practice, preventing industry fragmentation.
- Provides clarity on acceptable forms of security.

**We have identified the following disadvantages:**

- None identified.

**The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

Not required for this purpose

**The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

Not required for this purpose

**Programme for works required as a consequence of implementing the Modification Proposal**



The modification only requires minimal changes to be undertaken for implementation.

**Proposed implementation timetable (including timetable for any necessary information systems changes)**

We concur with the proposer that the straightforward nature of this modification facilitates immediate implementation.

**Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications identified

***Further Comments***

None

Should you wish to discuss our response further, please feel free to contact me.

Yours faithfully

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