

TOTAL GAS & POWER LIMITED

Mr. Julian Majdanski
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Dear Julian,

Modification Proposals 0113 "Availability of Unsecured Credit Based on User Payment Record or Independent Assessment"

Total Gas & Power Limited supports the implementation of Modification Proposal 0113.

Our comments are as follows:

At present each Transporter will only extend unsecured credit to a Shipper if they have a public credit rating. This modification allows such Users to obtain unsecured credit either through previous payment history, or from a specially commissioned credit rating. We recognise that the costs in procuring credit for new entrants without a credit rating can be a barrier to entry. Any relaxation of credit requirements must not place undue risk on the rest of the industry however. It is our belief that this modification strikes a pragmatic balance between complexity and risk and that there is minimal additional market exposure created by the incorporation of these new mechanisms.

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;***



Increasing the indebtedness that is permitted to a User, in particular new entrants, before any additional credit is required will enhance competition by overall reducing credit costs.

- (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

We do not believe there are any implications on security of supply, operation of the total system and industry fragmentation as a result of this modification.

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 and that any changes will be administrative in nature.

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

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

Increasing the amount of indebtedness that a User may accumulate, especially new Entrants, prior to any steps being taken to limit additional exposure, will increase the amount of bad debt that may be potentially incurred and hence increase 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

Allowing non-rated Users the ability to accumulate unsecured debts prior to lodging security will reduce credit costs for those Users concerned and allow additional operational flexibility. Other Users however will be exposed to higher levels of bad debts being passed through if a User does default, and hence this increases contractual risk.

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

Increasing levels of unsecured debt may result in increased costs being passed through to Suppliers.

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

No consequences identified.

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

We have identified the following advantages:

- Reduces the amount of credit cover to be lodged by Users without a credit rating.

We have identified the following disadvantages:

- Increases exposure to Users of bad debts.

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 Transporters will be required to derive processes to handle requests from unrated Users for unsecured credit. Considering the relatively small number of Users that have no rating, this does not appear to be an onerous undertaking and so we do not believe that the work required will be significant.

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

As we do not believe that the work required for implementation is significant, a delay in implementation is not required.

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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