

Julian Majdanski
UNC Modification Panel Secretary
Joint Office of Gas Transporters
Ground Floor Red
51 Homer Road
Solihull
West Midlands
B91 3 QJ
27th June 07

Mod Ref 0148
Name Sham Afonja
Phone 01905 340718
E-Mail Shamsudeen.Afonja@npower.com

Dear Julian,

Representation to Modification Proposal 0148 "Aggregation of Credit Positions or Use of Group Ratings"

On behalf of RWE npower, I would like to thank you for the opportunity to respond to modification proposal 0148. RWE npower understand the merits of this modification proposal but does not support its implementation as we believe that as currently drafted, it is largely dependent on the definitions contained within the suggested legal text of UNC Mod Proposal 0146 and its impending direction by the Authority. We also believe that the suggested legal texts for both proposals are inappropriate to companies registered outside England and Wales.

RWE npower believes that the issues required to be addressed to determine the enforceability of guarantors domiciled outside England and Wales needs to be unequivocally defined. We also believe that the definition of Qualifying Company and/ or Parent Company, that referenced the Companies Act 1985, would exclude Users from obtaining a Qualifying Guarantee from a parent that is based outside the UK.

We do agree with the proposer that Transporters should put in place necessary measures to reduce the level of credit risk associated with gas transportation (which this mod clearly is trying to advocate). However, we do feel that the definition contained within the suggested legal text for UNC Mods 0146 and 0148 are inadequate and does not facilitate the securing of effective competition between relevant shippers.

npower

Oak House
Bridgwater Road
Worcester WR4 9FP

T +44 (0)1905/34 05 21
F +44 (0)1905/34 04 88
I www.npower.com

Registered office:
Npower Limited
Windmill Hill Business
Park
Whitehill Way
Swindon
Wiltshire SN5 6PB

Registered in England
and Wales no. 3653277

Further, RWE npower wish to state that the suggested legal text for this modification proposal is misguided in the sense that UNC Section V; Paragraph 3.4.5 as currently detailed in the proposal, which somewhat alienates letters of credit or equivalent bank guarantee contained in paragraph 3.4.6.

However, we believe that the proposer is assuming that modification proposal 0146 would be implemented and thereby putting in place the suggested legal text which eventually dictates the validity of mod 0148. We would like to comment that as both proposals are still work-in-progress, they ought to be dealt with independently and not anticipating the impending implementation of one on another.

Hypothetically, if mod 0146 were to be rejected and mod 0148 implemented, then the validity of mod 0148 is rendered obsolete due to its dependence on another UNC mod, namely 0146.

Contrary to the proposer suggesting that this proposal would introduce a consistent credit processes thus ensuring there was no inappropriate barriers to entry, we believe this not to be the case. The proposal as it stands does not facilitate the securing of effective competition between relevant shippers. For reasons highlighted above and coupled with the issues raised in our response to UNC mod 0146, RWE npower will not be supporting the implementation of this modification proposal as currently drafted.

Should you like to discuss any of the points raised above please do not hesitate to contact me.

Yours sincerely,

Sham Afonja
Gas Network Codes Analyst