

**Draft Modification Report**  
**Discontinuance of Code Credit Rules**  
**Modification Reference Number 0191**  
**Version 1.0**

This Draft Modification Report is made pursuant to Rule 9.1 of the Modification Rules and follows the format required under Rule 9.4.

**1            The Modification Proposal**

In respect of transportation credit arrangements, Ofgem published a number of recommendations in its conclusions document “Best practice guidelines for gas and electricity network operator credit cover” 58/05 in February 2005. (“The Guidelines”)

Over the past 2 years a number of Modifications have been directed for implementation by Ofgem which have introduced into UNC the recommendations contained in The Guidelines.

Prior to these Modifications the rules governing the setting and maintenance of Transportation Code Credit Limits and security arrangements for same were published within the Transporter’s Code Credit Rules as per UNC Transportation Principal Document (TPD) Section V 3.1.2. These are currently published by each Transporter as UNC related documents on the Joint Office website. ([www.gasgovernance.com](http://www.gasgovernance.com)).

The various Modifications have over time removed all but two references to the Code Credit Rules and it is the Proposer’s view that these rules are now obsolete and no longer needed.

This Proposal therefore seeks to remove from UNC the two remaining references to the Code Credit Rules which the Proposer believes will have no material impact on the administration of the UNC in respect of transportation credit and security. For avoidance of doubt, this Proposal is in only in respect of Code Credit Rules and will have no impact on Energy Balancing Credit Rules as defined in UNC TPD Section X 2.1.

The discontinuance of the Code Credit Rules will ensure that there is no conflict or divergence from UNC within the various documents published by the individual Transporters. If the Code Credit Rules are continued they will merely become a copy of the relevant sections of UNC and potentially add risk of misinterpretation with no added value.

Following implementation of Modification Proposals 0144AV & 0145 on 1 February 2008, the remaining two references to Code Credit Rules within UNC TPD will be as follows:

- 1) UNC TPD Section V 3.12
- 2) UNC TPD Section V 3.2.8

This Proposal seeks to remove Section V 3.1.2 and amend Section V 3.2.8 to replace the reference to Code Credit Rules with ‘Code’ and to correct the reference to paragraph 3.2.5 to 3.2.4(b).

Transporters are able to publish contact details for use by Shippers to discuss any credit related issues via their own websites. As a result no communication

channels, between the Transporters and Users, will be closed as a result of the implementation of this Modification.

### **Suggested Text**

#### **TPD SECTION V: GENERAL**

*Remove paragraph 3.1.2 (as amended by the implementation of modification 0144AV on 1 February 2008) & renumber subsequent paragraphs as appropriate.*

~~The "Code Credit Rules" are the rules from time to time established and revised by the Transporter and issued to Users setting out (inter alia) procedures by which a User may discuss its Code Credit Limit with the Transporter.~~

*Amend paragraph 3.2.8*

The Transporter will not be obliged to agree to any request of the User under paragraph ~~3.2.5~~ 3.2.4(b) unless the User agrees to reimburse to the Transporter the reasonable costs and fees payable by the Transporter to any third party in accordance with the Code ~~Credit Rules~~ in connection with such request.

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

*Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;*

Implementation would not be expected to better facilitate this relevant objective

*Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of*

*(i) the combined pipe-line system, and/ or*

*(ii) the pipe-line system of one or more other relevant gas transporters;*

Implementation would not be expected to better facilitate this relevant objective

*Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Implementation would not be expected to better facilitate this relevant objective

*Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (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;*

Implementation of consistent credit processes which move towards recognised best practice will help ensure that there is no inappropriate discrimination and no inappropriate barrier to entry. This Proposal facilitates the securing of effective competition between relevant shippers by removing the potential for divergence of interpretation of UNC within Code Credit Rules.

*Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;*

Implementation would not be expected to better facilitate this relevant objective

*Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;*

By removing the potential for divergence of interpretation of UNC within Code Credit Rules the implementation of this Proposal will promote greater efficiency in the administration of the UNC.

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

No such implications on security of supply or operation of the Total System have been identified

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

**a) Implications for operation of the System:**

No implications for operation of the system have been identified

**b) Development and capital cost and operating cost implications:**

There are no development and capital cost or operating cost implications associated with implementation of this Proposal

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

No cost recovery mechanism is required

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

No such consequences has been identified

**5 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**

No such consequences has been identified

**6 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**

There are no development, or other, implications for Transporter or Users systems

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

*Administrative and operational implications (including impact upon manual processes and procedures)*

No such implications have been identified

*Development and capital cost and operating cost implications*

No such costs have been identified

*Consequence for the level of contractual risk of Users*

No such consequences have been identified

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

No such implications have been identified for any other relevant persons

**9 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 such consequences have been identified

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

**Advantages**

- Removes the potential for divergence of interpretation of UNC within

### Code Credit Rules

- Removes the administrative cost of maintenance and publication of separate documentation
- Provides single source to Users for guidance and information relating to transportation credit arrangements
- Removes potential for individual Distribution Networks to operate transportation credit arrangements in differing, and potentially conflicting, ways

### Disadvantages

- None identified

**11 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

*Written Representations are now sought in respect of this Draft Report.*

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

Implementation is not required in order to facilitate compliance with any notice issued under Standard Condition A11 (14)

**13 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**

Implementation is not 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.

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

No programme of works has been identified.

**15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)**

This Modification Proposal can be implemented immediately (following the necessary Ofgem direction)

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

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

**17 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel**

**18 Transporter's Proposal**

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

**19 Text**

**Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report.**

For and on behalf of the Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**