

**CODE MODIFICATION PROPOSAL No 0191V**  
**Discontinuance of Code Credit Rules**  
**Version 1.0**

**Date:** 07/02/2008

**Proposed Implementation Date:** Immediately upon approval

**Urgency:** Non Urgent

**1 The Modification Proposal**

**a) Nature and Purpose of this 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 three 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 three 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 three 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
- 3) UNC TPD Section G 2.1.10(b)

This Proposal seeks to remove Section V 3.1.2 and amend Section V 3.2.8 and Section G 2.1.10(b) 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.

**b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

Urgent procedures are not requested for this Proposal

**c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

The Proposer recommends that this Proposal proceeds to the Consultation Phase (following discussion at Distribution Workstream in January 2008)

**2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of 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 sub-paragraph (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 sub-paragraphs (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 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;*

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 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;*

Implementation would not be expected to better facilitate this relevant objective

**Standard Special Condition A11.1 (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.**

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 this 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 this Modification Proposal, including:**

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

No implications for operation of the system have been identified

**b) The 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) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:**

No cost recovery mechanism is required

**d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

No such consequences has been identified

**5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**

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

**6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**

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

**7 The implications for Users of implementing the Modification Proposal, including:**

**a) The administrative and operational implications (including impact upon manual processes and procedures)**

No such implications have been identified

**b) The development and capital cost and operating cost implications**

No such costs have been identified

**c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

No such consequences have been identified

**8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, 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 the Transporters**

No such consequences have been identified

**10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

**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 as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**

**12 Detail of all other representations received and considered by the Proposer**

**13 Any other matter the Proposer considers needs to be addressed**

No other matters need to be addressed in relation to this Proposal

**14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

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

**15 Comments on Suggested Text**

**16 Suggested Text**

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

*Remove paragraph 3.1.2 (as implemented on 1 February 2008)*

~~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.

### **TPD SECTION G: SUPPLY POINTS**

*Amend paragraph 2.1.10(b)*

In the event that following the review referred to in paragraph 2.1.10 the Transporter notifies the Last Resort User that additional security is required, then the Last Resort User shall be obliged to provide the requisite security in accordance with the Code ~~Credit Rules~~ or Energy Balancing Credit Rules (as appropriate) in favour of the Transporter (or National Grid NTS) as soon as reasonably practicable thereafter but in any event no later than 14 Days of the day of notification and upon receipt of that security the Transporter shall revise the Last Resort User's Code Credit Limit (and/or in the case of National Grid NTS) Secured Credit Limit (as appropriate) as soon as reasonably practicable thereafter but in any event no later than 14 Days after the date of notification to take effect from the date of that revision.

#### **Code Concerned, sections and paragraphs**

Uniform Network Code

Transportation Principal Document

**Section(s)** V 3.1.2 & 3.2.8, G 2.1.10(b)

#### **Proposer's Representative**

*Simon Trivella (Wales & West Utilities)*

#### **Proposer**

*Liz Spierling (Wales & West Utilities)*