

Modification proposal:	<b>Uniform Network Code (UNC) UNC191V: Discontinuance of Code Credit Rules</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	01 May 2008	Implementation Date:	To be confirmed by the Joint Office

## Background to the modification proposals

In February 2005, Ofgem published its best practice guidelines for gas and electricity network operator credit cover<sup>3</sup>. These guidelines were the culmination of over two years of debate and consultation with the industry to establish more efficient credit arrangements for network use of system charges.

Since the publication of the guidelines, a number of modifications have been raised and directed to the UNC on the basis that implementing such best practice would better facilitate achievement of the relevant UNC objectives and also be consistent with the Authority's principle objective and statutory duties.

These modifications generally updated specific credit provisions in line with best practice and enshrined them within the UNC itself, rather than referencing what were previously separate and ancillary documents known as the Code Credit Rules. These ancillary documents have therefore become largely redundant, as have the remaining references to them.

## The modification proposal

UNC191V proposes to remove the residual references to the Code Credit Rules from the UNC, either entirely or where appropriate with a cross reference to the relevant section of the UNC.

## UNC Panel<sup>4</sup> recommendation

At its meeting of 21 February 2008 the UNC Modification Panel unanimously voted to recommend the implementation of UNC191V.

## The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 28 March 2008. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR.<sup>5</sup> The Authority has concluded that:

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=16&refer=Licensing/IndCodes/CreditCover>

<sup>4</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

<sup>5</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com)

1. implementation of the modification proposal UNC191V will better facilitate the achievement of the relevant objectives of the UNC;<sup>6</sup> and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties.<sup>7</sup>

### **Reasons for the Authority's decision**

The rules pertaining to the provision of credit for Transportation services form an important commercial aspect for those parties operating in the UNC arrangements. These rules have been under review for some time now and the UNC has undergone a number of modifications implementing changes that have been considered to better facilitate the achievement of the relevant UNC objectives. These modifications have generally also been considered to be a move towards best practice in relation to the provision of credit cover.

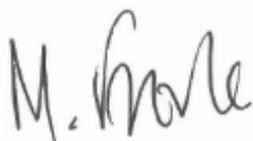
Given the commercial importance of such rules, we consider the most appropriate place for them is within the UNC itself; ensuring that the rules are consistent across all relevant GTs, accessible and transparent to all effected parties. It will also ensure they are subject to the governance procedures of the UNC. As a series of UNC modifications which incorporate the key provisions relating to credit cover have now been implemented, we agree with those respondents and the UNC Panel who suggested that removing the remaining references to the Code Credit Rules will reduce the risk of potential inconsistency of interpretation of the provisions related to credit cover. We consider that this will better facilitate achievement of Relevant Objective f), *the promotion of efficiency in the implementation and administration of the UNC*.

To the extent that it aides clarity and understanding of the relevant credit rules, thereby making it easy for shippers to operate in the market and efficiently manage their credit position, we also consider that this modification will further facilitate, albeit marginally, Relevant Objective d) *the securing of effective competition between relevant shippers*.

In accepting this proposal we note that it does not prevent GTs from continuing to produce ancillary guidance documents on the UNC credit rules, and understand that this is currently the intent of at least some of the GTs.

### **Decision notice**

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC191V: "Discontinuance of Code Credit Rules" be made.



**Maxine Frerk**  
**Director, Governance, Consumer & Social Affairs**

Signed on behalf of the Authority and authorised for that purpose.

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<sup>6</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=6547](http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547)

<sup>7</sup>The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.