

Representation

Draft Modification Report

0360 - Removal of Credit Rating Restrictions from Definition of Parent Company

Consultation close out date: 19 May 2011

Respond to: enquiries@gasgovernance.co.uk

Organisation: ScottishPower Energy Management Ltd

Representative: Gerry Hoggan

Date of Representation: 19 May 2011

Do you support or oppose implementation?

We are supportive of the implementation of the Proposal.

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

The current provisions concerning who may provide a Parent Company Guarantee are strict and work to the detriment of shippers whose parent company has a low credit rating. We are of the view that if a shipper has a parent that is more financially sound than the shipper itself then, regardless of whether that Parent is rated BB- or above, a Parent Company Guarantee should be an allowable option in such circumstances. Relaxing the current provisions should reduce barriers to entry for smaller shippers, although we recognise that this may result in a slightly increased risk exposure. Currently any such increased risk has not been quantified, but we do not believe that it would be substantive and we consider that it is equally important that an appropriate balance is struck that is not overly restrictive.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

We believe that it would be worthwhile to attempt to quantify the potential impact on the wider shipper community in the event of this Modification being implemented. This would allow a more informed evaluation of where the appropriate balance should lie.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We agree that implementation of the proposal will assist in meeting Objectives A11.1 (d) of the Licensee's Relevant Objectives, namely the securing of effective competition between Shippers by reducing barriers to entry for smaller participants.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

None envisaged.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

We concur with the proposal's recommendation that it should be implemented as soon as reasonably practicable after direction from the Authority.

Legal Text:

Are you satisfied that the suggested legal text will deliver the intent of the modification?

We are satisfied that the legal text will deliver the intent of the modification.

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

No.