

Initial Representation

Modification Proposal

0375 - To provide Users with a choice as to how their Unsecured Credit Limit is determined in line with UNC TPD Section V 3.1.7

Consultation close out date: 20 May 2011

Respond to: enquiries@gasgovernance.co.uk

Organisation: **Wales & West Utilities Ltd**

Representative: Simon Trivella

Date of Representation: 20 May 2011

Do you currently support or oppose implementation?

Not in Support

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

Removing the lesser of rule is likely to increase the amount of unsecured credit that a User may obtain by a disproportionate amount. We do not believe that the Proposer has provided enough justification for this. We have carried out some analysis on the amount of unsecured credit that would be available based upon 5 Shipper's Independent Assessments that we have seen in recent months.

Mod 0375 - Examples of potential Impact

5 "small" Shippers, accounting for approximately 1.5% of WWU market share

Shipper ID	IA Credit Value	RAV alternative (V3.1.7)*					
		WWU	NG***	NGN	ScGN	SoGN	All GTs
Shipper 1	£33,500	£3,500,000	£25,220,133	£3,832,965	£2,697,271	£6,349,558	£41,599,926
Shipper 2	£20,000	£4,000,000	£28,823,009	£4,380,531	£3,082,596	£7,256,637	£47,542,773
Shipper 3a	£94,000	£4,000,000	£28,823,009	£4,380,531	£3,082,596	£7,256,637	£47,542,773
Shipper 3b	£375,000	£5,300,000	£38,190,487	£5,804,204	£4,084,440	£9,615,044	£62,994,174
Shipper 4	£750,000	£6,000,000	£43,234,513	£6,570,796	£4,623,894	£10,884,956	£71,314,159
Shipper 5	£770,000	£5,100,000	£36,749,336	£5,585,177	£3,930,310	£9,252,212	£60,617,035
Totals**	£1,948,500	£23,900,000	£172,217,478	£26,173,673	£18,418,510	£43,358,407	£284,068,068
x5 GTs	£9,742,500						2915.76%

*RAV based on Ofgem GD Annual Report 2008

**Based on the highest value for Ship3 (i.e. includes Shipper 3a not Shipper 3b)

***Includes an assumed £3.3bn for NG NTS

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As you can see from the above, the increase in unsecured credit for just these 5 Shippers would increase from a total of just under £10m (based on the credit value within the IAs) to almost £300m using the % of RAV method. We do not believe this is appropriate.

Shipper 3 appears in the table twice, this is due to them having approached 2 different IA agencies. We believe that the lower value was obtained via a standard IA whereas the higher value was a more detailed / in-depth service. The second IA agency were able to get a better understanding of the Shipper's organisation and the UNC arrangements and therefore willing to a much more favourable credit value. We would encourage any Shipper that has not been able to obtain sufficient unsecured credit through an IA to always approach more than one agency and ensure that the agency are fully informed of their particular operating environment.

Are there any issues or alternates that you believe should be addressed by the Workgroup?

We believe there are 4 potential ways forward with this proposal, we would therefore request that the Workgroup and the Proposer consider the following:

- 1) Can the increase in unsecured credit that implementation of this Proposal would lead to be justified?
- 2) A possible alternative to the proposed solution would be, based on the lesser rule being removed, to consider whether the percentages within the table in TPD Section V 3.1.7 could be revised (downwards) to reduce the impact that this proposal would have but still allowing for potential higher values. It would be useful if the Workgroup could consider this (and again the justification for it).
- 3) A further alternative would be to remove the link to the Transporter's RAV and simply use the credit values that are contained within each Independent Assessment.
- 4) Our final suggested alternative approach is a combination of (2) and (3) above; remove the link to the Transporter's RAV but establish a proportional amount higher than the credit value within the IA. We are not suggesting what increase in the credit value would be appropriate and invite the Workgroup to consider this if they believe this is a viable option.

We look forward to participating in Workgroup discussions.

{*By email*}

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