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National Gas Emergency Service - 0800 111 999* (24hrs)
*calls will be recorded and may be monitored

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Your Reference:UNC Modification Proposal 0404

UNC Modification Proposal 0404 'Profiling payment of LDZ capacity transportation charges for Small Shipper Organisations'

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which National Grid Gas Distribution (NGD) does not support.

Do you support or oppose implementation?

Not in support.

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

Our opinion is that the Modification Proposal effectively obligates the Gas Transporters to be 'lenders of last resort'; a late payment rate as provided for in UNC TPD Section S 3.6 being payable by the relevant User who utilises the provision. All qualifying Users could therefore take advantage of this provision as a potential source of revenue if it was deemed to be a cheaper form of credit than that which could be obtained from the market. This raises the issue of potential discrimination as only those Users which met the qualifying criteria would be entitled to partake in the proposed credit arrangements (there is also the question of whether Users who do meet the qualifying criteria of 100,000 customers and code credit limit of £500,000 but have a different demand profile i.e. higher gas usage in summer than winter, could also be disadvantaged)

The Modification Proposal could also create a risk of bad debt arising in the event that a User who has deferred payments during the summer months gets into difficulties prior to payment of the full years Transportation Charges. The community and ultimately all consumers would bear this risk. Consequently it may be necessary for Gas Transporters to behave in a more risk averse manner and they may decide, following a Users failure to pay a deferred invoice, to terminate the defaulting User at the earliest opportunity where previously it may not have done so.

It should be noted that if a User were to utilise the proposed profiling payments under this Modification Proposal they would not be able to accrue an Unsecured Credit Limit as this requires payment in full of any invoices.

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

We have not identified any such issues.

Self Governance Statement:

Do you agree with the Modification Panel's decision that this should be a self-governance modification?

Not applicable.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

The proposer identifies the following objective as being better facilitated by this Modification Proposal.

- d) Securing of effective competition:
 - (i) between relevant shippers;
 - (ii) between relevant suppliers;

NGD believes that rather than securing effective competition, the Modification Proposal if implemented could do the opposite and discriminate in favour of a small population of Users.

Impacts and Costs:

The administration of profiling repayments would need to be managed/controlled outside of normal processes which would impact on resources/costs.

Implementation:

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

As monitoring of deferred invoice payments would be a manual process this Modification Proposal could be implemented immediately.

Legal Text:

The use of the term 'profiling notice' has been included within the Legal Text without discussion at a UNC Workgroup and adds a level of uncertainty as the relevant process is not defined. For instance, if a qualifying user planned to defer up to 50% of a summer months invoice charge but failed to either provide a 'profiling notice' or an adequately completed 'profiling notice' prior to the invoice due date the question of whether they should be considered in breach and therefore subject to termination arises.

There is a typo in Legal Text section 3.9.3 --- *Profiling Payment in respect of a LDZ Capacity Invoice, is shall submit* – should read **it**

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

No further matters have been identified.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 655299 (andy.clasper@nationalgrid.com) should you require any further information

Yours sincerely,

Andy Clasper
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National Grid Gas Distribution