

Northern Gas Networks Legal Text Comments - UNC MOD 0404 Response 5th April 2012.

The qualifying criteria within the legal text could lead to inconsistencies in treatment between Distribution Networks in particular to the qualifying rule contained within V3.9.1 (a) (ii) which NGN believes is intended to prevent smaller shippers that are part of a large group from qualifying.

This is not an issue with the legal text drafting. The text mirrors the business rule of the Modification's intent. However, in relation to the Modification's business rules I agree that each individual Shipper User will have a differing credit limit with each DN which may lead to inconsistencies as to whether a Shipper qualifies with different DNs. However, a consistent qualifying criteria has been applied by the MOD in that the credit limit is £500K across all DNs.

The profiling notice as described in V3.9.3 and 3.9.4 have not been developed during the workgroups and it is unclear how these would be prepared and utilised.

Although the specific concept of a 'Profiling Notice' was not discussed during the workgroup, during the legal text drafting stage it became clear to SGN that should a small shipper organisation wish to profile their capacity payments in line with the business rules it would be a prudent step to make the relevant DN aware of this intent, thus avoiding any unnecessary late payment action by the DN. If it is considered that informing the DN via a 'Profiling Notice' has not been fully developed then we would be happy to consider further development or the drafting of a Profiling Notice template prior to an implementation date for the Modification. This could be enacted via a UNC Related document and approved or otherwise by the UNC Committee at a later date.

While the capability to profile payments is capped in V3.9.4 this leads to a position that could have all smaller shippers using different terms and agreements within the cap which will increase the administrative burden on all parties.

Agree, however this is not an issue with the legal text drafting. The drafting reflects the Modification business rule # 2.

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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.

With reference to the discussion of Profiling Notices within the Workgroup please refer to my comments above in relation to NGN's comment.

In relation to the failure to submit a Profiling Notice by a User wishing to participate in the profiling of payments' arrangements; we would suggest that in such instances the User in question would not have followed the rules set out in the UNC and would therefore not be entitled to participate. We do accept however that further development of a Profiling Notice template may alleviate concerns in this area and possibly make the process of applying for profiled payments more transparent. This could be achieved by additional development of a UNC related document, subsequently being approved by the UNC Committee.

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**

Agree – SGN to amend.

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We are not satisfied that the legal text delivers the intent of this proposal and introduces new concepts not anticipated by the proposal nor discussed at Workgroup.

For ease of assessment our concerns are set out below in the order they appear in the legal text.

3.9.1 (a) (ii) – We are unclear what this paragraph will deliver. If it is about ensuring larger more established shippers with a number of individual shipper short codes and credit limits are removed from these 0404 rules, then we do not believe the legal text provides this assurance.

This is the intent of 3.9.1 (a) (ii) and SGN do believe that the legal text as provided does follow this intent but are currently re-considering the text to ensure that this is the case

3.9.3 & 3.9.4 – This clause refers to a “profiling notice”. What does this look like? Is it meant to be a defined term? Additionally, there is no timescale associated with a shipper providing the GDN with such a notice. If a Shipper provides such a notice the day before the first applicable invoice is due, how does the GDN know if the Shipper satisfies the qualifying criteria? How do Xoserve confirm the criteria to GDNS in this timeframe? These paragraphs also allow a Shipper to utilise this 0404 service in any summer month, but not all. This was not the intent of the proposal and was never considered in any workgroup discussions.

With reference to the other comments relating to the Profiling Notice we agree the development of a Profiling Notice template may provide further re-assurance and transparency in this area which could be concluded prior to the eventual implementation of the Modification. Were the Modification to be implemented we would expect DNs to be proactive in establishing prior to the 1st May a qualifying list of Users in readiness for the process commencing. In relation to the final comment business rule #2 of the Modification proposal does not rule out the selection of single months throughout the summer period where profiling of payments may occur. Therefore the legal text (3.9.4) accurately reflects the Modification’s intent.

3.9.5 The reference to interest means Applicable Interest Rate (we assume) as defined in Section S. This has the potential to triggers multiple admin charges (£40 - £100 charge). Does the proposal anticipate shippers will be billed this amount? If so, is it for every month of the summer period?

It was not the Modification’s intent to change the existing terms around the Applicable interest rates or late payment administrative charges. S3.9.5 references existing provisions relating to interest in S3.5. Therefore, a User participating in the profiling of payments would be exposed to the same late payment interest and charges’ provisions in line with any other User.

3.9.7 – We believe this is a redundant term. The timeframes in 3.9.6 cover this point.

S 3.9.7 adds further clarity that all outstanding amounts must be paid by 31st March of the financial year during which the debt was incurred. We can remove this clause if it is considered that further clarity in this area is not required, with S 3.9.6 covering the point.

Defined Terms Qualifying User Point (ii) refers to a limit of £5000,000. This should be £500,000

Agree – SGN to amend.