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Your Reference 0076

Re: Modification Proposal 0076; Right Of set off under Uniform Network Code

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

As the initiator, National Grid supports implementation. Further to the direction from the Authority not to implement UNC Modification Proposal 0027, we reviewed the reason for this direction detailed within the decision letter. National Grid subsequently raised this Proposal which we believe addresses the concerns expressed by the Authority in respect of requiring a User's consent for the setting off of invoice quantities. Therefore, as recognised in the decision letter for UNC Modification Proposal 0027 we believe that the question of imposed costs on Users (in the event that User consent for set off is not required) has been removed by requiring such consent within the current Proposal.

National Grid considers that it is reasonable not to require a User's consent where such a User is in breach of the payment terms in accordance with TPD Section S. In such circumstances we believe it is appropriate for a Transporter to offset any amounts due to the User against the amount due to the Transporter in the relevant invoice in order to minimise the User's indebtedness.

There is a tangible administrative efficiency to be realised for both Transporters and Users by the implementation of this Proposal. Consequential benefits would also be a reduction in a Users overall indebtedness and therefore a reduction of credit security utilisation.

We estimate that if a right of set off were already in place, in the period from January 2005 to August 2005, National Grid would have had the ability to reduce the quantity of invoices issued by 39%. In addition to this, we assessed that it would have realised cost saving in respect of banking charges.

We believe that incorporation within the UNC of the ability for Transporter to set off invoice quantities (subject to the appropriate User consent or payment status) within the UNC would facilitate the securing of effective competition between Relevant Shippers.

Yours sincerely

Declan McLaughlin
Commercial Manager – Customer Services