

CODE MODIFICATION PROPOSAL No. 0076
"Right of set off under Uniform Network Code"
Version 1.0

Date: 08/03/2006

Proposed Implementation Date: 01/07/2006

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

To be discussed within the Uniform Network Code (UNC) Distribution Workstream.

Nature and Purpose of Proposal (including consequence of non implementation)

This Proposal seeks to implement a recommendation identified within Ofgem's conclusion document "*Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover*" 58/05. This concluded the high-level principles that should be applied and further work required in respect of credit cover arrangements for transportation arrangements.

This Proposal seeks to implement recommendations detailed within paragraph 3.49 of the conclusion document.

Under the UNC, Transporters may issue either credit or debit invoices to Users, payable by the Transporter or the User within terms specified in the UNC. Historical data indicates that when considering monies owed between User and Transporter for the normal monthly billing cycle, the User will usually be in debt when the net position is calculated.

It would be beneficial to Transporters if (in respect of Transportation services only) a Transporter had the ability to offset amounts it was due to pay to the User against any invoice value that the User is due to pay the Transporter when a User is in breach of payment terms (UNC Section S3.1) or has agreed with the Transporter the set-off.

This right of set off would therefore only be available where:

- a) the relevant Transporter was the same party in respect of both the credit and debit amounts, and
- b) the relevant User was the same party in respect of both the credit and debit amounts, and
- c) the relevant User is in breach of the relevant payment terms, or has agreed with the Transporter the set-off of the relevant amounts .

In respect of the set off:

- the Transporter would issue a 'set off notice' to the User in instances where a User is in breach of Section S3.1

- the 'set off notice' would specify the relevant invoice payable (or, if applicable the unpaid overdue invoice) by the User and the invoice payable by the Transporter which is being set off on or before the invoice due date.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

National Grid believes that the measures identified within this Modification Proposal further the GT Licence relevant objective of facilitating the efficient and economic operation by the licensee of its pipe-line system by ensuring that robust procedures and best practice measures are in place to minimise the impact on the industry of User failure.

Additionally, National Grid believes that implementation of this Proposal would represent a reasonable efficiency improvement in respect of the making of payments and is thus consistent with the relevant objective of the promotion of efficiency in the implementation and administration of the Network Code and/or the Uniform Network Code.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

Changes would be required in respect of operational processes and procedures. A lead-time of one month would be required for implementation of the Modification if so directed.

Code Concerned, sections and paragraphs

Uniform Network Code TPD Sections S3.1, S3.3, S3.5

Proposer's Representative

Chris Warner (National Grid)

Proposer

Declan McLaughlin (National Grid)

Signature

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