

CODE MODIFICATION PROPOSAL No. 0024

"Independent security provision by an entity with an Investment Grade Rating of 'A' or above"
Version 2.0

Date: 09/06/2005

Proposed Implementation Date: 01/10/2005

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)

This Modification Proposal has been developed within the Uniform Network Code (UNC) Distribution Workstream. General consensus on its objectives was forthcoming. 'Proceed to consultation' is therefore requested.

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

This Proposal is one of five which seek to implement recommendations 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.

This Proposal seeks to implement recommendations detailed within paragraphs 3.39 to 3.40 of the conclusion document.

Where a User requests an unsecured credit limit a credit rating is required. If an acceptable published rating is already available, this will/would be used. Alternatively, a User may arrange for an assessment by a recognised independent credit rating agency. Currently, Transco would accept credit support from an entity with BBB- rating or above.

It is proposed that independent security valued at 100 per cent of face value would be accepted subject to the following conditions:

- ☐ Credit support must be from an entity with a long term debt rating of not less than A by Standard & Poor's or Moody's KMV;
- ☐ Credit support shall be legally enforceable in the UK;
- ☐ The country of residence of the support provider must have a sovereign credit rating of A or better from non-local currency obligations;
- ☐ There are no material conditions preventing exercise of the security.

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

Transco believes that the measures identified within this Modification Proposal further the GT Licence 'code 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.

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

Minimal changes would be required in respect of operational processes and procedures and therefore this Modification could be implemented with immediate effect if appropriate direction is received from the Authority.

Code Concerned, sections and paragraphs

Uniform Network Code Section V3.1

Proposer's Representative

Chris Warner (National Grid Transco - UKD)

Proposer

Declan McLaughlin (National Grid Transco - UKD)

Signature

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