

20th September 2005

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Dear Julian

Credit related UNC Modification Proposals.

Northern Gas Networks welcome the opportunity to comment on the various credit related proposals recently debated in various industry workstreams. Due to the number of related proposals, our response is summarised below.

NGN view

Proposal 0023 – Re-assessment of User Unsecured Credit Limits (Support)
Proposal 0031 – Re-assessment of User Unsecured Credit Limits (Reject)
Proposal 0041 – Re-assessment of User Unsecured Credit Limits (Qualified Support)
Proposal 0024 - Independent security provision by an entity within an Investment Grade Rating of 'A' or above (Support)
Proposal 0025 – Notice Period for Credit Limit Downgrade and Remedies for Non compliance (Support)
Proposal 0026 - Application of Charges consistent with Late Payment of Commercial Debts (interest) Act 1998 (Support)
Proposal 0027 – Right of Set Off under Uniform Network Code (Support)
Proposal 0032 – Adjustment to the number of days in the VAR calculation to bring the Code Credit Rules into line with the Best Practice Guidelines, Conclusions document Feb 2005 (Support)
Proposal 0034 – Netting off of Payments and Credits relating to Transportation Charges (Support)

The three directly linked proposals (23, 31 and 41) need considering as one, given that they all offer different credit allowances in respect of published credit ratings. Given that Ofgem can only implement one (or none) of the three proposals, we have ranked our view as to which proposal better satisfies the required relevant objectives by supporting our first preference for implementation, whilst offering qualified support for our second preference.

Yours sincerely

Robert Cameron-Higgs
Network Code Manager