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7th September 05

Mod 0024 "Independent security provision by an entity with an investment grade rating of "A" or above"

Dear Julian,

Thank you for the opportunity to respond on Mod 0024. RWE npower supports the principal of this proposal, but so far as the wording of the legal text goes we have some concerns.

It is interesting to note that in section 3.36 of Ofgem's conclusion document "Best Practice Guidelines for Gas and Electricity Network Operator Credit Cover" 58/05 a number of other alternative instruments are suggested as being acceptable. The legal text identifies Letters of Credit or bank guarantees but does not mention any of the other instruments that were considered acceptable to Ofgem.

What we are unable to comment on is the likelihood of these instruments being used in the future. If they are not likely to be used in the future then their omission should not have a material impact on the ability of a User to increase its exposure beyond its unsecured credit limit. However, by not including these alternatives in the legal text their use is not likely. Perhaps the Regulator might want to consider if the legal text needs revision.

Notwithstanding the previous comment it is the view of RWE npower that the minimum requirements proposed in Mod 0024, in respect of the rating of an entity providing security, will better facilitate the efficient and economic operation of the pipe-line system.

Despite our concerns about aspects of the legal text RWE npower supports this Mod Proposal 0024.

Yours sincerely,

Simon Howe.
Gas Network Codes Manager