

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0737
"Failure to Pay Cash Call Notice (reduced timescales)"
Version 1.0

Date: 10/12/2004

Proposed Implementation Date:

Urgency: Non-Urgent

Justification

Energy Balancing Credit Committee (EBCC) members feel that this Modification Proposal will reduce the level of financial exposure for the community which is currently posed by defaulting debtors.

Nature of Proposal

This Proposal aims to reduce the lapse time period between issuing a failure to pay cash call notice and convening an emergency EBCC meeting, to determine whether or not to issue a Termination notice, from three business days to one.

With regard to Cash Calls, payment of Cash Call notices, failure to pay notices and Termination Notices the Network Code currently sets out the following timescales. Where Transco submits a Cash Call notice and the User does not successfully appeal such notice the User is obliged to make payment in full of the Cash Call amount on the Business day following the Day on which the Cash Call was made. Where payment is not made Network Code Supplement Su 2.9.1 states that "Transco shall be entitled to, and as soon as reasonably practicable after Business Day will, submit to the User a notice substantially in the form set out in the Energy Balancing Credit Rules (EBCR), notifying the User that Transco will give Termination Notice to the User if the User does not pay the amount of the Cash Call in full by the 3rd Business Day after the date of such notice".

Following discussion about defaulting debtors at the EBCC it has been decided that three business days is an excessive period for the expiration of the notice described in Su 2.9.1 (failure to pay cash call notice) and that it would be more appropriate to allow only one business day for compliance, prior to convening an operational meeting of the EBCC to determine whether or not to issue a Termination Notice. It is also proposed that the wording in section Su 2.9.1 should be amended to reflect that Transco will refer to the EBCC prior to issuing a Termination Notice in line with X2.9.7 (introduced by Modification 0686: Amendment to Pre Termination Processes and Associated EBCC Referrals).

Purpose of Proposal

Following a review by Transco of the Section X of the Network Code and the EBCR, it was identified that by revising the rules governing the management of the Cash Call process, the level of risk faced by Users could be reduced. Such a revision would

further the objectives of the EBCR, namely to “develop and maintain a Framework for limiting the risk of financial loss to the shipper community resulting from the operation of the Energy Balancing regime”. The principles have been discussed within the EBCC, and in accordance with its recommendation, Transco has raised this proposal.

Consequence of not making this change

The current level of risk posed by defaulting debtors will remain. The Proposal serves to protect the Shipping Community against potential losses in the event of a User default.

Area of Network Code Concerned

Network Code Su 2.9.1, 2.9.3 & 2.9.7.

Proposer's Representative

Alison Jennings (Transco)

Proposer

Mark Cockayne (Transco)

Signature

.....