



18 October 1996

All Shippers

Dear Shipper

Modification 0085: Secured Credit Limit Reduction

Proposed Modification 0085 is similar to Proposed Modification 0074 with a later implementation date. Proposed Modification 0074 would have reduced the Community Risk Secured Credit Limit from £250,000 to £100,000 from 1 December 1996. Ofgas rejected the Proposed Modification because the implementation date would have allowed very little time for affected shippers to put in place other forms of security and did not appear to allow adequate debate of the issue. Also, Ofgas was concerned at the lack of evidence to back up claims that a reduction would have a minimal effect on small shippers and noted some shippers' complaints that continuing inaccuracies in Energy Balancing invoices would increase the level of credit required by them.

Following Ofgas' decision on Proposed Modification 0074, Proposed Modification 0085 was submitted with a later implementation date, some analysis on the Credit Limit utilisation and the promise of an open forum debate on the issue. As this went some way to meeting the concerns raised in Ofgas' letter of 27 September, when Proposed Modification 0074 was rejected, Proposed Modification 0085 was agreed as urgent. In accepting Proposed Modification 0085 as urgent Ofgas indicated that the open forum meeting should look at the implementation date and level of any reduction and ways of graduating the Secured Credit Limit made available. Proposed Modification 0085 remained unchanged following that meeting on 11 October.

As a general rule modifications should go through the usual review process unless overwhelming reasons exist for curtailing that process via the urgent modification rule. Having examined the new representations, Ofgas considers this issue should go through the usual review process. This is likely to mean that any change would not be implemented by 1 January. However, when the existing Credit Limit of £250,000 was agreed and included in the Network Code, the implication was that this Credit Limit would remain in place at least over the first winter. Ofgas does not believe therefore that the desire by some parties for any early change should take precedence over a full discussion and review. Ofgas has therefore decided to reject the urgent proposed modification in favour of a more considered review.

Yours sincerely



Clare Spottiswoode

Director General