TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0686

"Amendment to Pre Termination Processes and Associated EBCC Referrals"
Version 1.0

Date: 11/03/2004

Proposed Implementation Date:

Urgency: Non-Urgent

Justification

Following a recent User failure resulting in the appointment of an Administrator, Transco raised concerns with the Energy Balancing Credit Committee regarding requirements within the Network Code which are incumbent upon Transco. These relate to a requirement for a meeting of the EBCC to be convened prior to issuing a Termination Notice only in certain circumstances.

Currently there is no requirement for Transco to refer to the EBCC when it issues a Termination Notice for the following reasons:

X2.9 "Failure to Pay Cash Call"

X2.10 "Further Security Request"

X3.2 "Failure to make payment"

Transco is required to refer to the EBCC under X4.2.1 "Appointment of a Receiver", which states that upon the Appointment of a Receiver, Transco shall convene a meeting of the EBCC as soon as reasonably practicable to determine whether Transco should be obliged to issue a Termination Notice or to defer taking such a step.

Nature of Proposal

Transco has an obligation to manage the Energy Balancing regime on behalf of the shipping community, and as such it should not control the decisions in respect of delaying the issuing of Termination Notices for Energy Balancing charges. It is proposed that the EBCC be convened to review all such circumstances. This would be consistent with Transco acting on behalf of the EBCC in view of Transco's neutral position. Transco therefore proposes to align Sections X2.9.3, X2.10, X3.2.1 & X3.2.2 with X4.2.1 to require Transco to convene a meeting of the EBCC with the intention that the EBCC may determine whether Transco should be obliged to issue the Termination Notice, pursuant to Paragraph X4.1, or whether Transco should defer taking such a step.

It is also proposed to inform EBCC members following the issue of all 'failure' notices which would be referenced in Sections X2.9, X2.10, X3.2 & X4.

It is intended that the introduction of the proposal to inform the EBCC when any failure notice is issued and to convene a meeting of the EBCC before issuing a Termination Notice, should not delay the issue of such notices. However, should any delay result, Transco should not be held responsible. Informing EBCC members when a failure notice is issued serves to provide prior warning that a Termination Notice is due to be issued.

Purpose of Proposal

There are benefits to be gained in making the Termination Process more transparent and therefore easier to manage. A measured, transparent response to User Termination would better facilitate Transco's GT Licence Relevant Objective of the securing of effective competition between relevant shippers and between relevant suppliers.

Consequence of not making this change

Should the Network Code not be modified to reflect the proposed change, the current situation whereby Transco has an obligation to defer to the EBCC prior to issuing a Termination Notice, only in some circumstances, would remain.

Area of Network Code Concerned

Principle Document Sections X2.9, X2.10, X3.2.1 X3.2.2 & X4.2.1.

Proposer's Representative

Mark Cockayne (Transco)

Proposer

Terry A Grove (Transco)

Signature

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