

**Draft Modification Report**  
**Revisions to the Management of Cash Call Accounts (User in Default)**  
**Modification Reference Number 0665**  
Version 1.0

This Draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

## **1. The Modification Proposal**

It is proposed that Section X of the Network Code is modified as follows:

Where a User is in Administration or Receivership and / or is in Default, as defined by Section V4.3 of the Network Code;

- the User would not be permitted to request the return of monies held in their Cash Call Account until such time that all billing for the period prior to such appointment is completed. (Modify Section X 2.8.7).
- Transco would be allowed to withhold payment of any Energy Balancing Invoice credit item due to a User until such time as the creditors claim had been agreed. In such circumstances Transco would not be obliged to pay interest on the withheld credit value. (Modify Section X3.2.4)

## **2. Transco's Opinion**

Transco view is that this proposal mitigates some of the risks associated with an insolvent User failure by placing tighter controls on the management of cash call accounts. Following a review of the Network Code and the Energy Balancing Credit Rules ("EBCR"), it was identified that by revising the rules governing the management of Cash Call accounts, the level of risk faced by Users could be reduced thus limiting the risk of financial loss to the shipper community from the operation of the Energy Balancing regime. The principle of the proposal has been discussed with the Energy Balancing Credit Committee, and in accordance with its recommendation, Transco has raised this proposal.

If the existing provisions for the management of Users' Cash Call accounts were maintained, and a User became insolvent, remaining Users may be faced with higher smearing charges than would be the case if Transco had retained the funds and used these against outstanding credit exposures.

**3. Extent to which the proposed modification would better facilitate the relevant objectives**

Tighter management of Cash Call accounts for Defaulting and Insolvent Users would reduce the risk for all Users and, therefore, could be expected to facilitate a more secure and competitive environment in which to operate.

**4. The implications for Transco of implementing the Modification Proposal , including  
a) implications for the operation of the System:**

Transco is not aware of any impact to the operation of the system.

**b) development and capital cost and operating cost implications:**

Transco is not aware of any development or capital costs from the implementation of the Modification Proposal.

**c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:**

Implementation would not cause Transco to incur any additional costs.

**d) analysis of the consequences (if any) this proposal would have on price regulation:**

Transco is unaware of any such consequence.

**5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal**

Transco does not believe that implementing this Modification Proposal would have any consequence on the level of contractual risk to Transco under the Network Code.

**6. The development implications and other implications for computer systems of Transco and related computer systems of Users**

Transco is not aware of any implications for computer systems

**7. The implications of implementing the Modification Proposal for Users**

Transco is not aware of any implications on Users by implementation of this Modification Proposal.

**8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party**

No such implications have been identified

**9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal**

No such implications have been identified.

**10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

Advantages

- The tighter management of cash call accounts will protect all Users from any potential financial risk on the shipper community where a User is in Default or Insolvent.

Disadvantages

- A User in Default or Insolvent would not be able to request monies from its cash call account or receive any credit interest payments, and Transco would insist that the Insolvency Practitioner agrees credit claims before releasing any residual funds.

**11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Representations are now sought.

**12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation**

Transco is unaware of any change in legislative, regulatory obligations or contractual relationship of Transco, and each User or Non-Network Code Party as a consequence of implementing this Modification Proposal.

**13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence**

This proposal is not required to facilitate any such change

**14. Programme of works required as a consequence of implementing the Modification Proposal**

The program of works required to implement this modification proposal includes changes to the Energy Balancing Credit Rules which requires approval by EBCC members and is subject to a 2 month minimum notice period unless agreed otherwise.

**15. Proposed implementation timetable (including timetable for any necessary information systems changes)**

This modification proposal can be implemented with immediate effect following determination by Ofgem subject to the completion of the work as detailed in 14.

**16. Recommendation concerning the implementation of the Modification Proposal**

Transco recommends that this proposal is implemented.

**17. Text**

[Draft] proposed legal text

**SECTION X: NETWORK CODE SUPPLEMENT**

*Amend paragraph 2.8.6 to read as follows:*

Subject to....

- (a) ....Cash Call Account;
- (b) ....Cash Call Limit, and
- (c) the User is not a Defaulting User.

Transco will....

*Amend paragraph 3.2.4 to read as follows:*

Where:

(a) Transco has given notice to a User under paragraph 3.2.1, and until the Net Invoice Amount under the relevant Energy Balancing Invoice is paid in full; or

(b) a User is a Defaulting User pursuant to Section V 4.3.1

Transco will not pay and (irrespective of the Invoice Due Date) shall be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of, any amounts payable to the User in respect of Energy Balancing Charges (and no interest shall accrue or be payable on any such amounts from the Invoice Due Date until the day on which the payment is made).

***Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report***

Signed for and on behalf of Transco.

Signature:

**Terry Grove**  
**Service Delivery Manager**  
**Support Services**

Date: