



Shippers, Transco and Other Interested  
Parties

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*Bringing choice and  
value to customers*

Our Ref: Net/Cod/Mod/596  
Direct Dial: 020 7901 7355  
Email: [nick.simpson@ofgem.gov.uk](mailto:nick.simpson@ofgem.gov.uk)

30 October 2002

Dear Colleague,

**Decision on request for urgent status for modification proposal 0596 – ‘Revision to the process for recovering unpaid energy balancing charges invoices’.**

This modification proposal would require Transco to make an application to the Authority in situations where a user is in default and/or is terminated from Transco’s network code and Transco does not have sufficient credit cover in place to cover any outstanding amounts owed in relation to Balancing Invoices. The Authority would provide a direction to Transco on the amount that Transco may recover from users and how it may do so.

In proposing this modification, AEP Energy Services Ltd recognises that the issue of credit is the subject of an Ofgem consultation, but suggests that the risks to shippers and the industry, given current market conditions, require change to be made immediately.

In its previous letter dated 22 October 2002, Ofgem postponed its decision on the request for urgent status of this modification proposal. The letter noted that

modification proposal 572 'the provision of letters of credit for energy balancing credit cover' also addresses the issues raised in, and could potentially supersede this proposal, and therefore postponed the urgency decision.

AEP Energy Services Ltd has subsequently stated that it does not believe that this proposal would be entirely superseded by modification proposal 572. In order to progress this proposal, Ofgem has considered the responses to 572, rather than await publication of the final modification report.

Ofgem is aware that this modification proposal contains issues of ongoing concern to shippers, but believes that further detailed consideration of this proposal would be beneficial, in conjunction with existing related credit modifications. Therefore, Ofgem does not agree that urgency status is warranted.

Should you have any queries in relation to the issues raised in this letter, please feel free to contact me on the above number.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Simpson', with a horizontal line drawn underneath.

Nick Simpson  
Director of Industry Code Development