

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0597
"All Accruals & Outstanding Debt to become Payable Immediately in the Event of User
Insolvency"
Version 2.0

Date: 24/10/2002

Proposed Implementation Date:

Urgency: Non-Urgent

Justification

It is proposed that Transco would have a right to invoice accruals, and make outstanding invoices immediately payable, in the event of User insolvency. This facility would reduce the potential amount of unrecoverable debt since, in the event of non-payment (User Default), the window of opportunity for Transco to claim on an instrument of security and, correspondingly, for a guarantor to honour its commitment, would be widened.

It is also proposed that the Urgent Modification Procedure is adopted since recent events have shown that contractual restrictions preventing prudent commercial actions by Transco could adversely affect revenue recovery and should be revised. Failure to do so could have a significant financial impact on Users and Transco alike.

Nature of Proposal

The proposal is that where a User is insolvent, that is, a receiver, administrator, trustee-in-bankruptcy or other insolvency practitioner, either foreign or domestic has been appointed, but a Termination Notice has not been issued;

- Transco would have the right to submit invoices for accruals based upon services supplied up to the time of appointment; and
- all invoices issued, either prior to, or following the appointment, would become immediately due for payment.

Additionally, the proposal seeks to extend the provisions relating to termination and its consequence on Entry Capacity holdings by including a right to allow Transco to recall a User's holding in the event of insolvency.

Purpose of Proposal

Should insolvency occur, by ensuring that any accruals for services supplied can be invoiced and that these, and all invoices, either previously and subsequently issued, for Energy Balancing charges and Transportation services become immediately due for payment, the probability of recovery increases. Each Energy Balancing invoice settled reduces industry debt and the need to

smear. These measures would reduce risk for all parties concerned and, therefore, could be expected to facilitate a more competitive environment for shippers to operate.

Consequence of not making this change

Failure to implement this proposal may leave Transco and remaining Users open to avoidable financial exposure in the circumstances described above, particularly where instruments of security held expire in the interim. Exposure will be dependent upon the size of shipper portfolio and mix of supply points, and has the potential to be significant.

Area of Network Code Concerned

Section B5.4, S, V & X

Proposer's Representative

Alan G Raper (Transco)

Proposer

Steve R Phillips (Transco)

Signature

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