

Representation For. 0027
"Right of Set Off under Uniform Network Code"
Version 1.0

Date of Communication: 20/09/2005
External Contact: Simon Howe (R W E Npower Plc)
Slant: Against
Strictly Confidential: No

Abstract

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Mod 0027 "Right of Set Off under Uniform Network Code"

Dear Julian,

Thank you for the opportunity to respond on Mod 0027.

Although the principal of set-off would appear to be a pragmatic initiative and we believe most Users would have embraced this concept at the start of privatisation, there is now the potential for major impact on Shipper invoicing and Settlement systems. The advent of integrated financial systems mean that what may at first appear to be a relatively simple change may have far reaching impacts upon the User. The Workstream Report makes this point under section 7 and states that the level of impact depends on whether the proposed facility is elective. Unfortunately the legal text proposed for this Modification gives the Transporter the elective right to do this but does not give the User right to decline to participate in this process.

If this proposal was truly elective, requiring both Shipper's and Transporter's agreement to participate in an off setting payments scheme, then RWE npower would support implementation, seeing this as an initiative that may be of benefit to some Users.

As identified in the proposal, in most cases the User owes the Transporter more money than the reverse. This then is clearly a process which would benefit Transporters as it would reduce the number of small credits that would have to be paid separately thus reducing their bank charges. It is not clear exactly what benefits would accrue to the Users.

If there were changes to the legal text that requires both parties to agree to off setting arrangements, then we would support this proposal. Nevertheless, the legal text needs to be reconsidered in that it states that "Where a Transporter submits a notice ("**Set off Notice**") to a User..." However it does not identify how far in advance of the payment due date this notice would be issued, thus it is not clear how long a User has in order to re-arrange any payment schedules. We would suggest that a period of not less than 5 business days before the due date would give Users time to adjust any payment runs.

For the avoidance of doubt it should be made clear that only those credits which are due to the User with a due date on or after the main invoice due date can be included in an offsetting arrangement. Any credit due to a User with a due date before the due date of another invoice should not have its payment delayed so that it can be included in an off setting arrangement.

As stated early we have sympathy with the intention of the Mod, but regretfully due to these issues RWE npower is not able to offer support for this proposal.

Yours sincerely,

Simon Howe.
Gas Network Codes Manager