

Representation For.0076
"Right of set off under Uniform Network Code"
Version 1.0

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Abstract

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Your ref UNC Mod No 76

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Mod 76 ' Right of set off under Uniform Network Code'

Dear Julian,

Thank you for the opportunity to respond on Modification Proposal 76.

We agree with the principal of set off as it appears to be a pragmatic initiative and are pleased to see that this concept is elective for both Transporters and Shippers.

The modification proposal does not identify how far in advance of the payment due date this notice would be issued, thus it is not clear how a 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. However this issue can be addressed if the legal text reflected that once both parties have agreed to set off credits and debits it would cover all appropriate credits due from the Transporter until such time a User withdraws its agreement.

We are still unclear in how this modification proposal will benefit Users. Whilst we appreciate that this initiative is elective we are concerned that not all Transporters will elect to utilise this practice meaning that Users may face an increase

in costs due to the complexity in having to administer differing arrangements across the Networks.

One of the advantages that has been identified is that this proposal may have the potential to reduce the User's level of indebtedness. In our experience the credits due from Transporters are relatively small compared to the amount owing by Users. Therefore we don't believe that this point is valid.

In conclusion National Grid have raised this modification proposal as they are in a position to change their system and processes to save money on the banking charges they incur when having to pay back small credits. As Users have built their systems to the requirements specified at the start of privatisation many may find that the cost to implement this solution will outweigh the benefits. Combine this with the possibility that not all Transporters will adopt this proposal. This will lead to a divergence of arrangements across the industry.

Whilst we appreciate that there may be benefits to transporters by the introduction of such arrangements, it is unclear how many Shippers will implement these arrangements.

Nevertheless, since Shippers will have the choice to participate or not we support this proposal.

Yours sincerely,

Heidi Martin
Gas Network Codes