

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

**Date of Communication:** 17/05/2006  
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**Slant:** For  
**Strictly Confidential:** No  
**Abstract**

Please find detailed below a copy of SGN's response to the above modification proposal.

**Modification Proposal 0076: Right of set off under the UNC**

SGN fully supports the above modification proposal.

SGN believes the proposal is entirely consistent with Ofgem conclusions document - best practice guidelines for electricity and gas network operator credit cover (February 2005). In that document Ofgem determined that moves should be made towards improving efficiency in relation to payment terms and went on to suggest Network Operators should have the right of set off under codes.

Under Modification Proposal 0027, concerns were previously raised regarding potential impact on Users were such arrangements to be mandatory. Ofgem was also concerned that proposal 0027 could have resulted in Transporters implementing different arrangements on each network. We believe both concerns have been addressed in this proposal. The right of set off would normally only be applied where the Transporter and User have agreed this in writing. We understand the User would have a 5 day cooling off period. The only exception is where the User is in breach of payment terms. In such cases the Transporter would not require the User's agreement. However the Transporter would be required to issue a set off notice. We believe this should provide the User with adequate notice.

SGN believes the proposals will further the relevant objectives improving efficiency in terms of implementation of the code and improving operational efficiency. The proposal should help reduce amounts outstanding, potentially reduce the number of invoices to be issued and banking charges.

SGN believes the modification proposal is relatively straightforward. There are no significant system or procedural issues. We believe the proposal could be implemented within 1 month of approval.

We hope you find these comments helpful.

Regards

Beverley Grubb  
Commercial Manager  
Scotia Gas Networks