

TOTAL GAS & POWER LIMITED

Mr. Julian Majdanski
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Dear Julian,

Modification Proposal 0107 "Specially Commissioned Credit Ratings"

Total Gas & Power Limited supports the implementation of Modification Proposal 0107.

Our comments are as follows:

At present it is up to each individual Transporter how a User without a public credit rating, and who wishes to have one commissioned, is handled with regard to costs and the level of unsecured credit that is subsequently provided. It is appropriate that this inconsistency is removed by incorporating a clear set of guidelines within the UNC. The procedures detailed within this modification seem proportionate and so we support its implementation.

Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Gas Transporter Licence Standard Special Condition A11.1

- (a) ***the efficient and economic operation of the pipe-line system to which this licence relates;***

Does not apply to this objective

- (b) ***so far as is consistent with sub-paragraph (a), the coordinated, efficient and economical operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;***

Does not apply to this objective

- (c) ***so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

Does not apply to this objective

- (d) ***so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:(i) between relevant shippers;(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;***

Providing another mechanism in which Users can procure unsecured credit will allow more Shippers to enter the market and hence encourage competition.

- (e) ***so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer***



supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers’ licences) are satisfied as respects the availability of gas to their domestic customers; and

Does not apply to this objective

- (f) *so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.*

Does not apply to this objective

The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

Providing a uniform set of rules regarding specially commissioned credit ratings will help to prevent industry fragmentation.

The implications for Transporters and each Transporter of implementing the Modification Proposal, including

a) implications for operation of the System:

No implications identified.

b) development and capital cost and operating cost implications:

No development and capital costs will be incurred.

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

Do not anticipate any costs requiring recovery outside of allowed revenue

d) analysis of the consequences (if any) this proposal would have on price regulation:

No consequences identified.

The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

If more Users are afforded unsecured credit as a result of the modification, then the amount of unsecured debt will increase, resulting in an increase in contractual risk. We anticipate any such increase will be modest, as relatively few Users will not have a credit rating.

The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

No such implications intended.

The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk



It is appropriate that the relevant User bears the costs for providing a specially commissioned credit rating. As a result of this, the costs of this modification for other Users will be minimal.

The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No implications have been identified.

Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

The Transporters will now be obliged to provide unsecured credit to a User if a specially commissioned credit rating is produced. Previously, the Transporter would have determined the User's unsecured credit, individually. This modification will therefore impact the contractual relationships between applicable Users and all Transporters, though this impact will be modest.

Analysis of any advantages or disadvantages of implementation of the Modification Proposal

We have identified the following advantages:

- Creates an additional mechanism for users to procure unsecured credit.

We have identified the following disadvantages:

- Will increase risk of bad debt if the amount of unsecured credit increases.

The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Not required for this purpose

The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Not required for this purpose

Programme for works required as a consequence of implementing the Modification Proposal

We agree that in order to implement this modification, there will be minimal changes to operational processes.

Proposed implementation timetable (including timetable for any necessary information



systems changes)

As this modification proposes a comparatively minor change, we agree that this modification could be implemented with immediate effect.

Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications identified

Further Comments

None

Should you wish to discuss our response further, please feel free to contact me.

Yours faithfully

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