

CODE MODIFICATION PROPOSAL No xxxx
Administration of Unsecured Credit Afforded on the basis of Payment History and
Independent Assessment
Version x.x

Date: 23/02/2007

Proposed Implementation Date: 15/06/2007

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

UNC Modification 0113 'Availability of Unsecured Credit Based on User Payment Record or Independent Assessment' will be implemented with effect from 1 May 2007.

It is proposed that the UNC is further modified to reflect the following:

Unsecured Credit Obtained by Payment History

In accordance with provisions introduced by Modification 0113, where a User is afforded unsecured credit on the basis of its payment history (UNC TPD Section V3.1.8) and subsequently a payment is not made in respect of a Transportation invoice by the Invoice Due Date, the level of a User's Unsecured Credit Limit afforded as above will be deemed to be zero (UNC TPD V3.1.9).

It is proposed that in order to minimise the risk of a User endangering its unsecured credit limit obtained on the above basis due to failure to pay an invoice of comparatively low value, the UNC is modified to reflect the following:

Where a User fails to pay a Transportation invoice with a total value of £250 or less, any Unsecured Credit afforded on the basis of payment history will be reduced by 50% on the first such occasion within a twelve month period. Any subsequent failure to pay Transportation Invoice of any value within that twelve month period will reduce the Unsecured Credit afforded on the basis of Payment History to zero.

For the purposes of clarification, failure to pay a Transportation invoice with a total value in excess of £250 will reduce any Unsecured Credit afforded on the basis of Payment History to zero.

Unsecured Credit Obtained by Independent Assessment – Re-Assessments

In accordance with provisions introduced by Modification 0113, where a User is afforded Unsecured Credit on the basis of an Independent Assessment and any additional re-assessments are required (other than the initial assessment and an annual review), the User shall meet the full cost of such re-assessment (regardless of which party requires the re-assessment).

It is proposed that where such a re-assessment is initiated by the Transporter, the Transporter will meet the full cost of such re-assessment.

For the purposes of clarification, where such a re-assessment is initiated by the User, the User will meet the full cost of such re-assessment.

Unsecured Credit Obtained by Independent Assessment – Agencies

In accordance with provisions introduced by Modification 0113, where a User is afforded Unsecured Credit on the basis of an Independent Assessment the Transporter may appoint one of a panel of three independent credit rating agencies to provide a credit rating for a User.

It is proposed that this provision is amended to reflect that the Transporter in these circumstances selects three independent credit rating agencies, one of which the User is subsequently required to specify as the agency from which it requires the Transporter to procure the appropriate credit rating.

If this Proposal is not implemented, UNC will not reflect the recommendations contained within the Ofgem conclusions document and Transporters will not be obliged to operate this aspect of their credit arrangements in a consistent manner.

- b) **Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

 - c) **Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**
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- 2 **Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter’s Licence) of the Relevant Objectives**

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

 - 4 **The implications for Transporters and each Transporter of implementing this Modification Proposal, including:**
 - a) **The implications for operation of the System:**

- b) **The development and capital cost and operating cost implications:**
 - c) **Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:**
 - d) **The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**
- 5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**
- 6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**
- 7 The implications for Users of implementing the Modification Proposal, including:**
- a) **The administrative and operational implications (including impact upon manual processes and procedures)**
 - b) **The development and capital cost and operating cost implications**
 - c) **The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**
- 8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)**

- 9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters**

- 10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

Advantages

Disadvantages

- 11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**

- 12 Detail of all other representations received and considered by the Proposer**

- 13 Any other matter the Proposer considers needs to be addressed**

- 14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

- 15 Comments on Suggested Text**

- 16 Suggested Text**

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s)

Proposer's Representative

Name (Organisation)

Proposer

Name (Organisation)