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11<sup>th</sup> June, 2007.  
Your Reference 0143

**Re: Modification Proposal 0143: Reduction in lapse periods in respect of Failure Notices issued in respect of Energy Balancing Credit.**

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

National Grid Gas plc (Distribution), ("NGD"), offers support for implementation of this Proposal which seeks to reduce the lapse time period between issuing failure notices (for Energy Balancing Credit) and the entitlement of NTS to convene an EBCC meeting to review potential termination actions.

NGD agrees with the Proposer that implementation would better facilitate the Relevant Objective specified in Standard Special Condition A11.1(f), "the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code". Modification Proposal 0737 which was implemented in 2005, reduced the lapse time for Cash Call Notices and this process now runs at optimum efficiency. NGD would also add that providing incentive for the right behavior and thus reducing industry risk would better facilitate the Relevant Objective specified in Standard Special Condition A11.1(d) the securing of effective competition between relevant shippers. NGD notes the comments made by Ofgem in its rejection notice for Modification Proposal 0102 and feels that this proposal provides the "appropriate safeguards" to ensure that a financially responsible shipper is not terminated from the code.

We are of the opinion that the delay caused by the current lapse time period which follows the issue of a 'failure notice' has the potential to increase the industry exposure and delays the opportunity to convene an EBCC meeting to review termination proceedings.

NGD concurs with the view that a defaulting User has ample opportunity throughout the existing notification processes to resolve its position (i.e. to make payment or to provide further security), without the need for the current lengthy lapse periods.

Generally, we are content with other aspects of the Draft Modification Report but would like to make two comments regarding the suggested legal text provided in the report:

First, the legal text provided with Modification Proposal 0102 had sought to address the inconsistency which currently exists between X3.2.1 “.....National Grid NTS will give Termination Notice...” & X3.2.2 “...shall be entitled to ....may, give Termination Notice ...”

Secondly, NGD would also note that the word “following” inserted into the legal text is not required. It may therefore be appropriate to review the wording of the legal text and make a non material amendment to the text.

Yours sincerely

Phil Lawton  
Distribution Regulation Manager