

Mr Bob Fletcher
Secretary, Modification Panel
Joint Office of Gas Transporters
51 Homer Road
Solihull
B91 3LT

19th May 2011

Dear Bob

RE: UNC Modification 0360 – “*Removal of Credit Rating Restrictions from Definition of Parent Company*”

1. British Gas does not support Modification 0360 and believes that it would increase the cost to the consumer associated with any Shipper default.
2. We recognise that Shippers need fair and transparent credit arrangements, and agree that this should extend to the ability of a Shipper to access credit based on an assessment of the credit worthiness of their parent company. As any Shipper default leaves consumers liable for the value of any default however, the rules governing this access to this credit also need to provide adequate protection from the wider costs associated with default. If the credit rules are too strict then competition will be restricted, and if they are too lax then consumers may face unreasonable levels of risk. The Uniform Network Code (UNC) must therefore seek to achieve a balance.
3. We consider the current Uniform Network Code (UNC) requirement that a parent company must have a credit rating of BB- and above to be an acceptable balance, and fear that removing this control may result in a greater cost exposure to consumers were a company to default. We note that Standard & Poor define companies with a BB- credit rating as “*Less vulnerable in the near-term but faces major ongoing uncertainties to adverse business, financial and economic conditions*”¹, and consider that allowing companies with a credit rating lower than this greater access to credit is not be in the long term interests of the market.
4. If you have any questions regarding this response, please do not hesitate to telephone me.

¹ Taken from Standard & Poor's website. Link [here](#).

Yours sincerely

David Watson
Regulatory Manager, British Gas