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Our Ref.
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Dear Julian,

RE: Modification Proposal 0145 – “Management of Users approaching and exceeding Code Credit Limit”

Thank you for the opportunity to comment on this proposal. British Gas Trading (BGT) does not support its implementation.

BGT is generally neutral in respect of removing the two current notices – 70% and 85% - to a single notice at 80%. We do understand, however, that one of the reasons upon which Ofgem based its rejection of BGT’s modification proposal 0102 - *Removal of Failure Notices in respect of Energy Balancing Credit* – was the implication of removing such a notice. We wonder whether there are parallels with this proposal.

Our main objection, however, is the extent to which the proposed relaxation in the treatment of potential credit defaulters exposes the balance of the shipping community to significantly increased risk in the event of an under-securitised shipper failing. In particular, we do not believe it is prudent to restrict in this way the ability of a transporter to take preventative action where it is evident that credit limits have been, or are imminently to be, breached.

Following any such credit breach, we also question the wisdom of requiring the User to post additional credit to reduce the VAR to below 100%. In such circumstances, payment down to a VAR of 99.9% would be acceptable, potentially leaving another breach imminent.

Further, is unclear in the modification proposal what happens to a user if, having had their VAR reduced to 80% of its original value as a result of a default, a further default occurs.

In summary, we believe that implementation of this proposal would place undue additional risk on the shipping community, far in excess of any benefit that might accrue through lower credit costs across the industry. This proposal also contains uncertainties, and against this background, we are unable to offer support.

Should you have any queries with regard to this response please do not hesitate to contact me.

Yours sincerely,

Chris Wright
Commercial Manager