

CODE MODIFICATION PROPOSAL No 0306
RG0252 Proposal 9: Administration of Shipper Credit Security Contact Details
Version 3.0

Date: 17/06/2010

Proposed Implementation Date: 01 October 2010

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

WWU raised Review Group 0252 “Review of Network Operator Credit Arrangements” in April 2009. This was convened to discuss the appropriateness of the existing credit management arrangements, taking into account the many credit related issues which had occurred since the publication of Ofgem’s “Best practice guidelines for gas and electricity network operator credit cover” (BPG) document.

Background

Currently there exists no centralised register or requirement for up to date Shipper credit contact details for Transportation Charges, which creates difficulties for Transporters in relation to maintaining up-to-date credit security processes. As a result this may create delays in applying sanctions to Shipper Users and recovering debt which may cause unrecoverable bad debt for Transporters. Currently the existence of non up- to-date contact details provides for an inefficient process and increases unnecessary administrative costs and risk to the Transporter.

Proposal

The intent of this UNC Modification Proposal is to introduce a centralised Shipper credit security contact register for Transportation Charges which will be administered on behalf of Transporters by their agency.

This UNC Modification Proposal, if implemented, would introduce UNC obligations onto Shipper Users to provide credit security contact details in relation to Transportation Charges at the point of initial accession to the UNC and subsequently where there are any amendments to these details. The Agency’s role would be to update the database with the information provided.

The Transporters agent will update the contact register with the following details that will need to be provided by each Shipper User in relation to Transportation Charges:

- a single telephone number
- a single facsimile number

- Credit Contact name
- Credit Contact address

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

Not 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.

This Proposal was originally developed within the remit of Review Group 0252, which recommended increasing the efficiency of DNOs in this area. This approach has been shared at Distribution and Transmission workstreams in December 2009, and January, May, June 2010. Accordingly the Proposer believes the Proposal is sufficiently developed to enable it to proceed to consultation.

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

This Proposal is not classified as a User Pays Modification Proposal as it does not create or amend any User Pays services.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Not applicable

c) Proposed charge(s) for application of Users Pays charges to Shippers

Not applicable

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

Not applicable

3 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

The Proposer believes that a direction to implement by the Authority would further the GT Licence ‘Code relevant objective(s)’ of Standard Special Condition A11.1 Network Code and Uniform Network Code.

Condition	
1a- efficient and economic operation of the pipeline systems to which licence relates	

1b- co-ordinated, efficient and economic operation of (i) combined pipeline system and/or (ii) pipeline system of one or more other relevant gas transporters	
1c- consistent with (a) and (b) above, efficient discharge of licensees obligations	
1d- securing of effective competition between (i) Relevant shippers (ii) Relevant suppliers and/or (iii)DN operators	✓
1e-provision of reasonable economic incentive for relevant suppliers to secure that domestic customer supply standards are satisfied	
1f- promotion of efficiency in the implementation and administration of the uniform network code	✓

1d (iii) - The Proposer believes that implementation would better facilitate this relevant objective as it improves the likelihood of collecting debt and mitigating bad debt risk.

1f – The Proposer believes that the implementation of this proposal would better facilitate this relevant objective as it would improve the efficiency of the working of UNC TPD Section V.

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

No such implication has been identified.

5 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

No such implications have been identified.

b) The development and capital cost and operating cost implications:

There will be a minimal cost to develop and operate a credit contact database in relation to Transportation Charges.

- 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:**

No additional cost recovery is proposed.

- 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**

The contractual risk of each Transporter may be reduced.

- 6 **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)**

No such requirement has been identified.

- 7 **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**

No changes have been identified.

- 8 **The implications for Users of implementing the Modification Proposal, including:**

- a) **The administrative and operational implications (including impact upon manual processes and procedures)**

Shipper Users will be required to provide credit security contact details in relation to Transportation Charges to the Transporter's agent; this would be a minimal impact.

- b) **The development and capital cost and operating cost implications**

No implications have been identified.

- 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**

The level of risk is unaltered by this proposal.

- 9 **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)**

No implications have been identified

10 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

No such consequence has been identified.

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

Advantages

- All DNO's would have access to a central database in case of credit issues in relation to Transportation Charges.
- The sanction process would be more efficient and conducted in a timely manner.
- This would reduce the Transporter risk to debt recovery.

Disadvantages

No disadvantages have been identified.

12 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)

No such representations have been received, save for the support received during the Review Groups work.

13 Detail of all other representations received and considered by the Proposer

No such representations have been received.

14 Any other matter the Proposer considers needs to be addressed

The proposer believes that no additional matters require consideration.

15 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

It is suggested that this Proposal be implemented on 1st October 2010 to coincide with the implementation of the other credit proposals being considered in this timeframe. Should this date not be achievable, then implementation could take place immediately following an Authority direction

16 Comments on Suggested Text

The suggested amendment to Section V take account of the revised legal drafting providing consistency of terminology.

17 Suggested Text

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) V3

Proposer's Representative

Joel Martin, for Scotia Gas Networks

Proposer

Joel Martin, for Scotia Gas Networks