



Julian Majdanski
Joint Office of Gas Transporters
51 Homer Road
Solihull
B91 3JQ

Wales & West House
Spooner Close
Celtic Springs
Coedkernew
Newport NP10 8FZ
T. 029 2027 8500
F. 0870 1450076
www.wwutilities.co.uk

Tŷ Wales & West
Spooner Close
Celtic Springs
Coedcernyw
Casnewydd NP10 8FZ

29th June 2007

Re: UNC Modification Proposal 0147 “Administration of Unsecured Credit Afforded on the basis of Payment History and Independent Assessment”

Dear Julian

Thank you for the opportunity to comment upon this Modification Proposal, the implementation of which WWU does not support.

1. The Modification Proposal

Ofgem directed implementation of UNC Modification Proposal 0113 with effect from 1st May 2007. This proposal seeks to clarify the issues raised in Ofgems’ decision letter regarding the legal text covering Independent Assessments. We believe that the proposed legal text in this Modification Proposal addresses these issues and we are therefore able to give qualified support for this element of the Proposal.

We still have concerns over the absence of clarity within the suggested text in respect of the allocation of an Independent Assessment Score. The text infers that a score will be allocated to the User in accordance with the table; however, the table defines the percentage of unsecured limit based on the score. There is no definition of how these scores are derived and allocated. We believe that this must be consistent across the industry and therefore further clarification is required.

This Proposal also introduces the removal of commercial prudence in respect of withdrawing a credit limit based on Payment History in the event of a small value missed/late payment. In Ofgems’ decision letter for Modification 0113, they clearly support commercial prudence in this event. We fully agree with Ofgems’ comments and see no need for this change. We understand that some parties have concerns that commercial prudence may lead to inconsistencies between Networks and this has led to the development of a rule to cover small late payments. We do not believe that the proposed reduction by 50% for late payment of an amount under £250, regardless of the reason, achieves a sensible alternative to commercial prudence. In our view a Shipper will, in reality, be almost as significantly disadvantaged by a loss of 50% of their limit as they would be by the limit being withdrawn entirely. In both cases they may still need to source immediate alternative top up security.

24 hour gas escape number
Rhif 24 awr os bydd nwy yn gollwng

0800 111 999*

*calls will be recorded and may be monitored
caiff galwadau eu recordio a gellir eu monitro

Wales & West Utilities Limited
Registered Office:
Wales & West House, Spooner Close, Coedkernew, Newport NP10 8FZ
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2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

We agree with the Proposer that the implementation of consistent credit processes will help ensure that there is no inappropriate discrimination and no barrier to entry and better facilitate the securing of effective competition.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

d) Analysis of the consequences (if any) this proposal would have on the level of contractual risk of each Transporter under Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal.

We agree with the Proposers comments and would add that any increased risk on Transporters could in the event of pass through impact on the Users through price increases to recover bad debts.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Whilst we agree that this reduces the adverse implications for Users for missed payments, we do not believe that this will result in any significant practical advantage.

15. Comments on Suggested text

In respect of the allocation of an Independent Assessment Score, the text (3.1.10) infers that a score will be allocated to the User in accordance with the table; however, the table simply defines the percentage of unsecured limit based on the score. There is no definition of how these scores are derived or allocated. We believe that this must be consistent across the industry and therefore further clarification is required.

If you have any questions relating to this Representation please do not hesitate to contact me.

Yours sincerely

Simon Trivella
Commercial Analyst
Wales & West Utilities