



Modification 0383 – Phased Payment Example

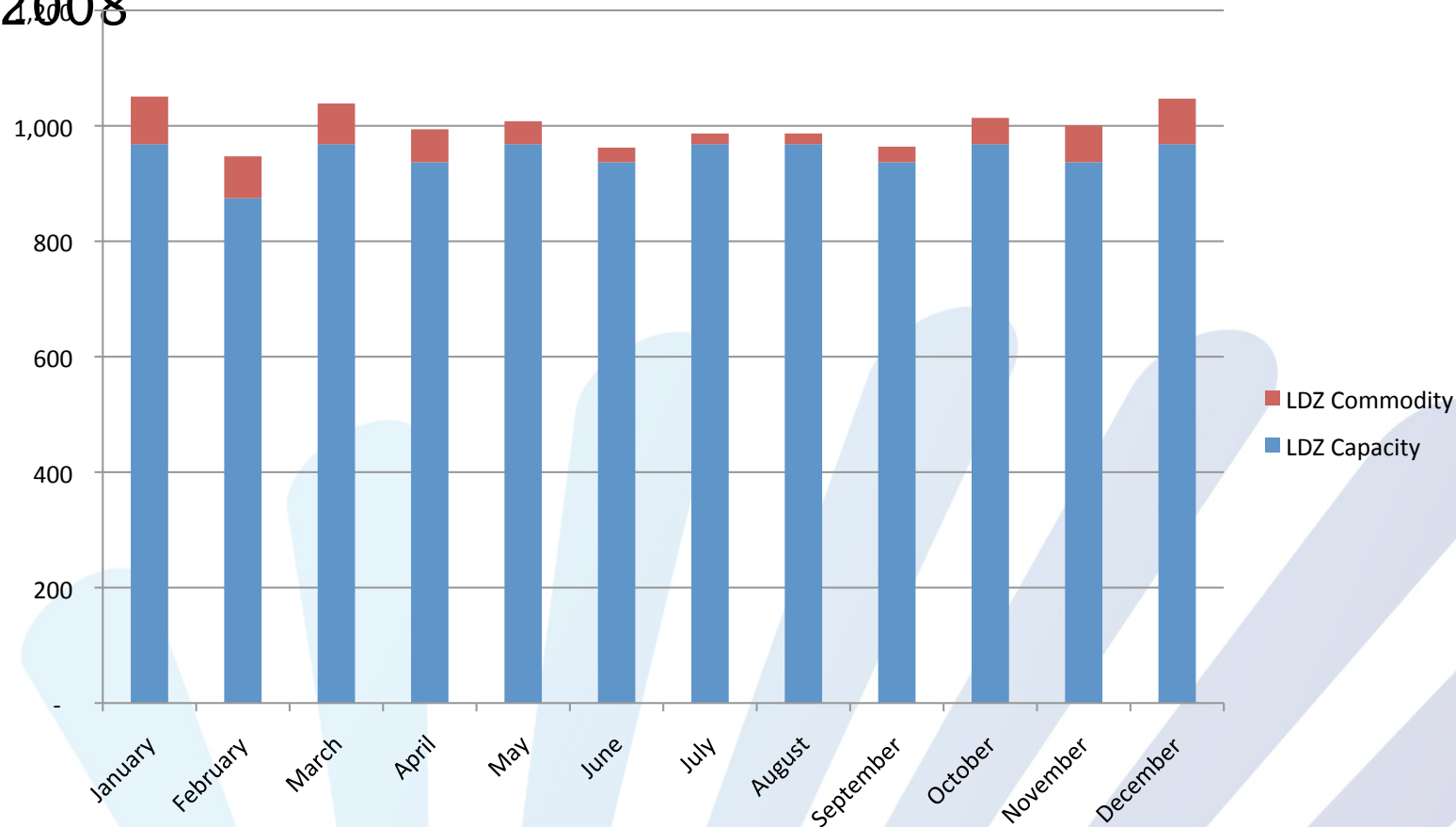
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Modification 0383

- Aim of proposal is to profile payments for invoiced Transportation charges with supplier revenue in SSP market
- Consumption profiles cited as an appropriate proxy for commodity cash flow to suppliers
- No change to invoices is anticipated
- Intent is to limited to smaller shippers only
- Proposer believes this will improve competition by aligning costs and revenues

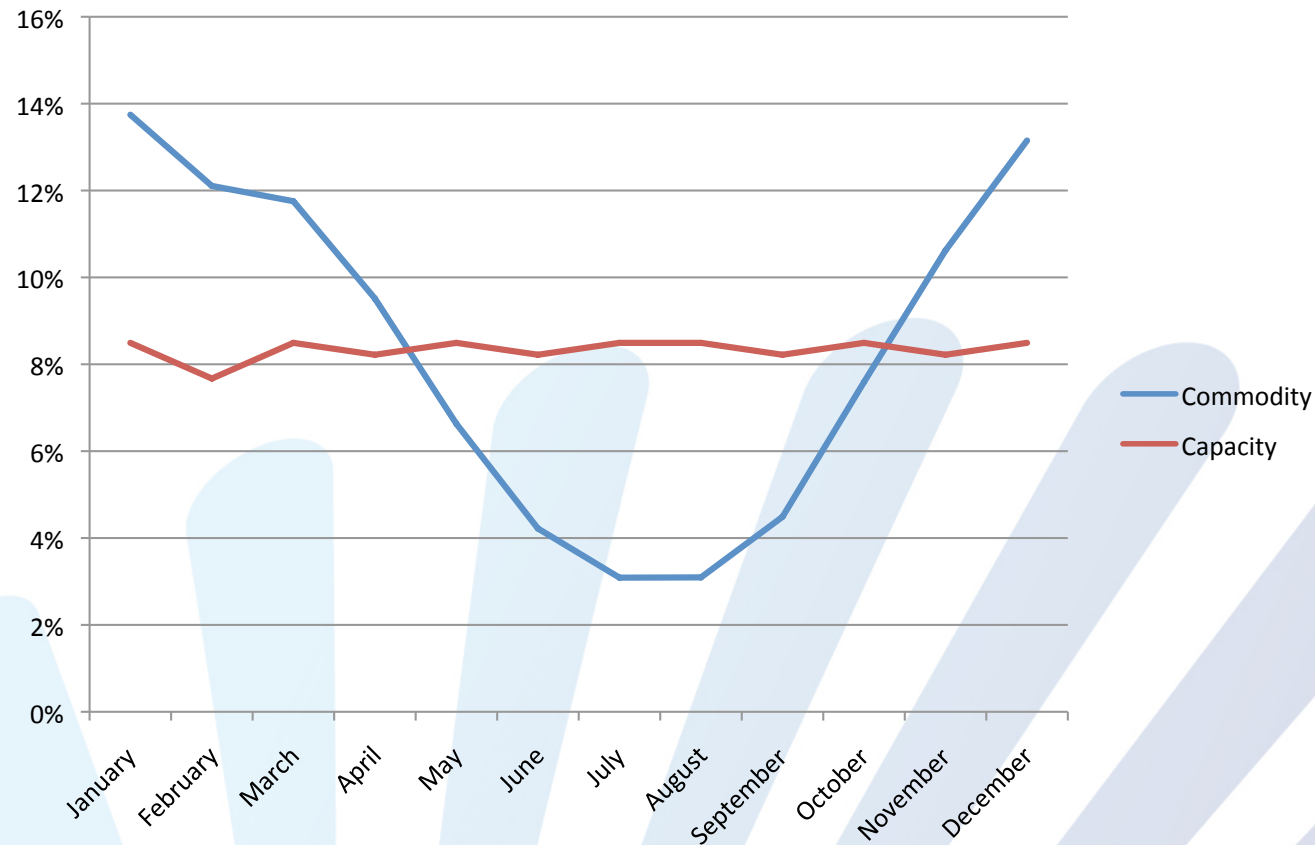
Transportation Charge Profiles (1)

- Transportation charges are made for both LDZ Capacity and LDZ Commodity, split on a 95:5 basis in line with Ofgem decision from DNPC03 implemented in October 2008



Transportation Charge Profiles (2)

- LDZ Capacity is based on a daily rate and LDZ Commodity is based on allocation



Example of 0383 payment profile (1)

- Full payment for all invoiced charges paid in months of April and September
- 50% of invoiced charges paid in months May to August
- Full payment of all invoiced charges paid in months October to March
- PLUS each month, one sixth of the outstanding balance that has accrued as a result of the reduced payments in May to August

Example of 0383 payment profile (2)

	LDZ Capacity	LDZ Commodity	LDZ Invoiced	0383 Payments	0383 O/S Balance	Peak Balance
April	937	57	994	994	-	994
May	968	40	1,008	504	504	1,512
June	937	25	962	481	985	1,947
July	968	19	987	493	1,479	2,465
August	968	19	987	493	1,972	2,959
September	937	27	964	964	1,972	2,936
October	968	46	1,014	1,342	1,643	2,657
November	937	64	1,001	1,329	1,315	2,315
December	968	79	1,047	1,376	986	2,033
January	968	82	1,051	1,379	657	1,708
February	875	73	947	1,276	329	1,276
March	968	71	1,039	1,367	-	1,039
Annual	11400	600	12,000	12,000		

Figures for illustrative purposes only

VAR Requirements

- UNC V3.2.1(d): Sum of aggregate amount (other than Energy Balancing Charges) invoiced and unpaid PLUS average daily rate of invoices issued in previous month multiplied by 20
- UNC V3.3.1(a): Issue of notice of 80% utilisation of VAR
- UNC V3.3.1(b): 100% VAR requires additional surety or surety in 2 business days
- Failure to provide additional surety or security enables Transporter to take action by way of sanctions to prevent growth or ultimately to terminate the User

Impacts on Credit (1)

- VAR will increase as a result of the outstanding amounts remaining unpaid in the summer months
- Most shippers maintain credit security/surety at 80% level to minimise notices
- Based on invoice levels in example, security/surety of ~£1,750 required to remain below 100%
- Additional outstanding invoices peak at £1,972
- Therefore, an additional £1,972 security/surety required to prevent 100% notification and possible sanctions (total requirement ~£3,722)

Impacts on Credit (2)

- Deposit deed: additional funds required to be lodged with Transporter
- Letter of Credit: additional value of LoC required to be agreed with provider
- Unsecured Credit: varying impacts depending on maximum calculations laid out in UNC. Possible that additional security (LoC/Deposit) will need to be lodged in addition to unsecured limit
- Prepayment: not possible under terms of current Prepayment Agreement (based on NGN terms – may vary for other Transporters)