

UNC Workgroup 0375 Minutes
To provide Users with a choice as to how their Unsecured Credit
Limit is determined in line with UNC TPD Section V3.1.7

Tuesday 14 June 2011

Via Teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Cuin (Secretary)	(HC)	Joint Office
Alan Raper	(ARa)	National Grid Distribution
Alex Ross	(ARo)	Northern Gas Networks
Chris Hill	(CH)	First Utility
Chris Warner	(CW)	National Grid Distribution
Jenny Higgins	(JH)	RWE npower
Joel Martin	(JM)	Scotia Gas Networks
Joanna Ferguson	(JF)	Northern Gas Networks
Mandip Grewal	(MG)	Northern Gas Networks
Richard Street	(RS)	Corona Energy
Sue Davies	(SD)	Wales & West Utilities

1. Introduction and Status Review

1.1. Review of minutes

The minutes from the previous meeting were approved.

1.2. Review of actions

No actions to review.

2. Discussion

The Workgroup briefly considered the initial discussions last month.

CH raised the options offered within Wales and West Utilities representation and asked if these were a sufficient basis to continue development of the modification – which was preferred and which should be disregarded. CH wanted to understand how the code of practice had been adopted with these changes.

SD advised that the code of practice had been reviewed in 0252 and it was agreed that sections of the CoP were no longer relevant or at too high a level to be followed. The review group had concluded that the new rules were appropriate and good practice and these were included in the modifications raised as an output of the report.

RS explained the protection offered by the use of the independent assessment when compared to the potential value offered by the comparison to the Regulated Asset Value (RAV). He believed it would be unlikely that the authority would accept an adjustment to the RAV percentage without justification that the company would be good for the credit offered. RS was concerned that the group may adjust the RAV values to fit First Utility without solving the problems for other. Having considered the

other options of adjusting the values in the table, removing the link to RAV or a mixture of both it was believed that the only viable option would be to reduce the percentages within table.

SD was concerned that it would not be good practice to adjust values just to meet a companies specific requirements – where is the test and control, as a credit controller she wished to understand the materiality of adjusting the percentages from CH.

CH advised that he wanted to get to a position prior to the implementation of modification 0305 where a smaller market participants could expect to be treated in a similar way to larger participants – being unable to get parent company guarantees and having to place additional cash is having a material impact on his business. If a smaller participant fails it has no significant impact on the market, this would not be the case if one of the big six failed - what is the risk Transporters are trying to protect themselves from.

RS thought it would be useful if Transporters examine their credit control rules to consider how risk is mitigated without placing barriers for smaller market participants –this is how a commercially driven business would operate. This should be without artificial adjustment to RAV percentages listed in the table and should be based on a robust methodology to allay Ofgem concerns.

SD and CH agreed to work together to examine the impact of percentage changes to understand the materiality to Shippers.

CH was willing to consider any other options the industry believed would be workable and the Transporters would be willing to operate. He was keen to find a solution that struck a balance between encouraging market participation and managing the risk.

CW advised that National Grid would review their credit rules to consider the comments made at the meeting.

Action 0375 001: First Utility and Wales & West Utilities to examine the materiality of reducing the percentages to help determine likely percentage changes.

Action 0375 002: All Transporters to consider alternative solutions and consider the impact of reducing the percentages linked to RAV.

3. AOB

None raised.

4. Diary Planning for Review Group

13:30, 30 June 2011 via Teleconference.

Action Log

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0375 001	14.06.11		First Utility and Wales & West Utilities to examine the materiality of reducing the percentages to help determine likely percentage changes.	First Utility and Wales & West Utilities (CH and SD)	Pending
0375 002	14.06.11		All Transporters to consider alternative solutions and consider the impact of reducing the percentages linked to RAV.	All Transporters	Pending