

# 0521:

Revision of User Admission Criteria to include  
Transporter verification of its ability to transact with the  
Applicant User



Proposer: National Grid NTS

Panel Date: 18<sup>th</sup> December 2014

# Why change?



- Existing User Admission requirements do not include the need for confirmation that the Applicant User is able to transact with the Transporter
- An existing Applicant User (trader) may be unable to provide ‘effective’ payment details
  - Xoserve’s bank has declined to process transactions involving this Applicant User
  - Other banking institutions approached have either declined, or expressed an unwillingness to transact (in absence of legal clarification – at a cost to the Transporter)
- EBCC concern regarding the financial risk to existing Users of socialised bad debt costs via neutrality mechanism
- This proposal has been raised to clarify that a User must be able to transact with the Transporter

# Options



- Do nothing
  - Existing Users face increased risk of exposure to socialised bad debt
  - Transporters may also be exposed to financial risk if an Applicant User in the same position wishes to become a Shipper User
- Ensure an Applicant User is able to transact with the Transporter *prior* to the User Accession
- NB: Enduring capability of existing Users to transact with the Transporter will be considered separately and if appropriate a further UNC modification may be raised

# Solution



- ‘Ensure an Applicant User is able to transact with the transporter *prior* to the User Accession’ – appropriately limits exposure to increased risk
- Add additional criteria for User Admission (V2.12) that the following must **not** apply:
  - the Transporter's account bank has notified the Transporter that it will not deal with the Applicant User; and
  - where the above does apply, the Transporter has been informed by at least one other bank or financial institution which in the Transporter's reasonable opinion is a major and reputable bank in the United Kingdom, that such bank or financial institution would not deal with the Applicant User; and
  - the Transporter has provided to the Applicant User details of the Transporter's account bank to enable the Applicant User to discuss the matter directly with the Transporter's account bank.

# Recommended Steps



- The Proposer recommends that this modification should:
  - **not be subject to self governance** due to the extent of the potential impact to Users and Transporters of a User's inability to transact with the Transporters for payment of amounts due under the UNC, i.e. risk of socialised bad debt costs being recovered from other Users.
  - **progress to consultation** as the solution proposed is fully developed and narrow in scope and is therefore suitable for industry consultation in its current form.