

Bob Fletcher
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

19 May 2011

Dear Bob,

Re: UNC Modification Proposal 0360 - Removal of Credit Rating Restrictions from Definition of Parent Company

Thank you for the opportunity to provide representation of the above noted Modification Proposal. Northern Gas Networks (NGN) does not support this Modification Proposal. Please find below NGNs comments in respect of the Modification Proposal.

NGN does not support this Modification proposal.

Summary:

This modification seeks to amend the definition of "Parent Company" to remove the requirement to hold a long term debt rating of at least BB-. This would allow additional parties to be supported by parent company guarantees.

NGN Stance:

NGN does not support this Modification proposal. This Modification was raised after an in-depth Review Group (0252) was completed and is not consistent with the recommendations of the review group. NGN believes that the current application of Parent Company is appropriate and as Transporters have no direct trading arrangement with a Parent Company it is appropriate that in order for a guarantee to be relied upon the Investment Grade Rating needs to be robust.

The current credit arrangements in the UNC balance the level of risk of bad debt to the wider industry and reducing the level at which this unsecured credit can be obtained would increase that risk.

Relevant Objectives:

By lowering the requirements for obtaining unsecured credit for smaller shippers, NGN is sympathetic to the argument that this aspect of the Modification proposal may further Relevant Objective (d); the securing of effective competition between shippers and suppliers. However, implementation of this Modification proposal would also increase the potential for bad debt and put DNs and the wider community in a riskier position as more of their security is likely to become unsecured.

We accept that the values may be relatively small; nonetheless the increased risk to the wider industry resulting from a DN requesting pass through of a bad debt will be increased which

would ultimately have the effect of not furthering effective competition and Relevant Objective (d).

Implementation:

If directed to implement this, NGN agrees that it could be achieved by 1 July 2011.

Legal Text:

NGN are satisfied that the legal text reflects the intention of the Modification Proposal.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,



Joanna Ferguson
Network Code Manager