












| UNC Modification | At what stage is this document in the process? |
|--|--|
| <h1>UNC 0713:</h1> <h2>Amendments to TPD V3.1.7 Independent Assessment table</h2> | <div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; background-color: #28a745; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;"> 01 Modification </div> <div style="border: 1px solid #17a2b8; padding: 2px; display: flex; align-items: center; justify-content: center;"> 02 Workgroup Report </div> <div style="border: 1px solid #9932cc; padding: 2px; display: flex; align-items: center; justify-content: center;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ffc107; padding: 2px; display: flex; align-items: center; justify-content: center;"> 04 Final Modification Report </div> </div> |
| <p>Purpose of Modification: This Modification makes changes to a UNC mapping table to reflect changes to the way Graydon determines credit ratings.</p> | |
|  | <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> subject to self-governance assessed by a Workgroup. <p>This Modification will be presented by the Proposer to the Panel on 19 December 2019. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p> |
|  | <p>High Impact:</p> |
|  | <p>Medium Impact:</p> |
|  | <p>Low Impact:</p> <p>Shippers that use Graydon’s independent assessment for transportation credit, Transporters</p> |

| Contents | | ? | Any questions? |
|--|---------------------------------------|---|--|
| 1 | Summary | 3 | Contact: Joint Office of Gas Transporters |
| 2 | Governance | 3 |  enquiries@gasgovernance.co.uk |
| 3 | Why Change? | 3 |  0121 288 2107 |
| 4 | Code Specific Matters | 4 | Proposer: Richard Pomroy |
| 5 | Solution | 4 |  Richard.Pomroy@wutilities.co.uk |
| 6 | Impacts & Other Considerations | 4 |  029 2027 8552 or 07812 973337 |
| 7 | Relevant Objectives | 5 | Transporter: Wales & West Utilities |
| 8 | Implementation | 6 |  Richard.Pomroy@wutilities.co.uk |
| 9 | Legal Text | 6 |  029 2027 8552 or 07812 973337 |
| 10 | Recommendations | 6 | Systems Provider: Xoserve |
| Timetable | | |  UKLink@xoserve.com |
| The Proposer recommends the following timetable: | | | Other: n/a |
| Pre-Modification discussion (Distribution and Transmission Workgroups) | 28 November 2019 and 05 December 2019 | | |
| Initial consideration by Workgroup | 23 January 2020 | | |
| Workgroup Report presented to Panel | 16 April 2020 | | |
| Draft Modification Report issued for consultation | 16 April 2020 | | |
| Consultation Close-out for representations | 01 May 2020 | | |
| Final Modification Report available for Panel | 12 May 2020 | | |
| Modification Panel decision | 21 May 2020 | | |

1 Summary

What

The table in UNC Transportation Principal Document (TPD) V 3.1.7 (which shows how to calculate a User's Unsecured Credit Limit) needs to be updated to reflect changes in the credit ratings issued by Graydon.

UNC TPD V can be found here:

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/page/2019-11/22%20TPD%20Section%20V%20-%20General.pdf>

Why

If this change is not made, then new Shippers will not be able to use Graydon for an independent assessment for obtaining credit. Existing Shippers will also not be able to use Graydon if their circumstances change.

How

The solution proposed populates the table with the new credit ratings now issued by Graydon.

2 Governance

Justification for Self-Governance

The Modification:

(i) is unlikely to have a material effect on:

competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and

(ii) is unlikely to discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

Although this Modification will have a positive effect on competition by making the Graydon rating fit for use again, the changes proposed will not affect those Shippers who currently use Graydon so the effect is not material. It is unlikely to discriminate between Shippers because it reinstates Graydon as a useable option for independent assessment.

The suggested consultation period could be reduced to 10 Business Days from the standard 15 Business Days because this Modification is not expected to impact any Shippers that use Graydon's ratings. Should any issues be raised at workgroup Panel can consider consulting for the standard 15 Business Days.

3 Why Change?

Graydon have changed their methodology for producing credit ratings and have introduced a new table of ratings. These ratings are 'alpha' ratings as opposed to the previous 'alpha numeric' ratings. This means that the Uniform Network Code needs to be amended to replace the old ratings with the new ratings.

The Proposer is also making a small minor change to the wording on Dunn and Bradstreet scoring for the lower ratings to improve clarity. This change is being made because the current wording referring to a rating being below a certain letter does not really make sense in the context of an alpha-numeric system.

This will impact the small number of Shippers that use Graydon for independent assessment. If this change is not made the option of using Graydon for independent assessment will not be available and will limit the options for Shippers to two agencies.

4 Code Specific Matters

Reference Documents

UNC Transportation Principal Document (TPD) V3

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/page/2019-11/22%20TPD%20Section%20V%20-%20General.pdf>

Knowledge/Skills

Familiarity with Code credit arrangements.

5 Solution

Amend text in TPD V 3.1.7 as shown below.

| Independent Assessment Score | Equivalent of the Independent Assessment Score to credit scores provided by the independent credit rating agencies for Independent Assessments | | | % of Transporter's Maximum Unsecured Credit Limit |
|------------------------------|--|--|---|---|
| | Dunn & Bradstreet/ N2 Check Comprehensive Report | Experian Bronze, Silver or Gold Report | Graydons Level 1, Level 2 or Level 3 Report | |
| 10 | 5A1 | 95-100 | 4A AAA | 20 |
| 9 | 5A2/4A1 | 90-94 | 4B/2A AA | 19 |
| 8 | 5A3/4A2/3A1 | 80-89 | 4C/2B/3A A | 18 |
| 7 | 4A3/3A2/2A1 | 70-79 | 3C/3B/4A BBB | 17 |
| 6 | 3A3/2A2/1A1 | 60-69 | 3C/4B/5A BB | 16 |
| 5 | 2A3/1A2/A1 | 50-59 | 4C/5B/6A B | 15 |

| | | | | |
|---|--|----------|---|-------------------|
| 4 | 1A3/A2/B1 | 40-49 | 5C/6B/7A CCC | 13 ^{1/3} |
| 3 | A3/B2/C1 | 30-39 | 6C/7B/8A CC | 10 |
| 2 | B3/C2/D1 | 20-29 | 8B C | 6 ^{2/3} |
| 1 | C3/D2/E1 | 10-19 | 8C Not in use | 3 ^{1/3} |
| 0 | Below E1 E2 to Z inclusive | Below 10 | Below 8C D to Z inclusive | 0 |

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No

Consumer Impacts

The changes should not affect any Shipper's credit and hence there should be no consumer impacts.

Cross Code Impacts

Not directly, although the IGT UNC and DCUSA may want to consider a similar change if Graydon is used for independent assessment.

EU Code Impacts

None

Central Systems Impacts

No impact.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

| Relevant Objective | Identified impact |
|--|-------------------|
| a) Efficient and economic operation of the pipe-line system. | None |
| b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters. | None |
| c) Efficient discharge of the licensee's obligations. | None |

| | |
|--|-----------------|
| d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers. | Positive |
| e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers. | None |
| f) Promotion of efficiency in the implementation and administration of the Code. | Positive |
| g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators. | None |

This Modification furthers relevant objective (f) by replacing out of date references to Graydon’s credit rating with the current credit rating. It also furthers relevant objective (d) by restoring the third option for independent assessment of credit ratings for Shippers.

8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

9 Legal Text

Text Commentary

The table is updated for the new Graydon ratings and a minor wording change for Dunn and Bradstreet.

Text

Replace the table in TPD V 3.1.7 with the table below

| Independent Assessment Score | Equivalent of the Independent Assessment Score to credit scores provided by the independent credit rating agencies for Independent Assessments | | | % of Transporter’s Maximum Unsecured Credit Limit |
|------------------------------|--|---|--|---|
| | Dunn & Bradstreet/ N2 Check Comprehensive Report | Experian Bronze, Silver or Gold Report | Graydons Level 1, Level 2 or Level 3 Report | |

| | | | | |
|----|-------------------|----------|------------------|-------------------|
| 10 | 5A1 | 95-100 | AAA | 20 |
| 9 | 5A2/4A1 | 90-94 | AA | 19 |
| 8 | 5A3/4A2/3A1 | 80-89 | A | 18 |
| 7 | 4A3/3A2/2A1 | 70-79 | BBB | 17 |
| 6 | 3A3/2A2/1A1 | 60-69 | BB | 16 |
| 5 | 2A3/1A2/A1 | 50-59 | B | 15 |
| 4 | 1A3/A2/B1 | 40-49 | CCC | 13 ^{1/3} |
| 3 | A3/B2/C1 | 30-39 | CC | 10 |
| 2 | B3/C2/D1 | 20-29 | C | 6 ^{2/3} |
| 1 | C3/D2/E1 | 10-19 | Not in use | 3 ^{1/3} |
| 0 | E2 to Z inclusive | Below 10 | D to Z inclusive | 0 |

10 Recommendations

Proposer’s Recommendation to Panel

Panel is asked to:

- Agree that self-governance procedures should apply
- Refer this proposal to a Workgroup for assessment for three months, but noting that the Proposer hopes that the Draft Modification Report can be completed at the first Workgroup meeting if no issues are raised.