

Date	24 July 2008
Reference	iGT021 Consultation
Title	Introduction of Credit Rules into the iGT UNC
Respondee	Lorraine McGregor - ScottishPower Energy Management Limited (SPEML)
Position on the Modification	Qualified support for Modification

Facilitation of the relevant objectives

Additional Information and Comments

ScottishPower are supportive of the principle of this Modification since there is nothing too controversial in the proposal and it is broadly in line with the credit rules of the Large Transporters' UNC and Ofgem's best practice guidelines for gas network credit cover.

However, we do have some concerns and believe that it is quite "loose" and needs a bit of tightening up on definitions of some of the terms. Specifically:

Page 1: The Proposal: we find it odd that a Pipeline Operator would have the option to waive credit cover from a smaller Pipeline User. In other credit rules of this nature the credit code applies to everyone regardless of size. This is not about prejudicing smaller market participants, it is about protecting IGTs from non-payment for services delivered and applying the rules equally to all pipeline users.

Page 3: 1.1.2(ii) - surety or security should be clearly defined so as to determine what would be acceptable credit support (e.g. cash, letter of credit, parent company guarantee etc)

Page 3: 1.1.3 - The original 1.1.3 from the IPL/QPL Individual Network Codes has been removed - it is not clear why? The 1.1.3 here was originally 1.1.4

Page 3: 1.2.1 - Code Credit Limit/Relevant Code Indebtedness should also take account of any credit support posted.

Page 3: 1.2.4(iii) - published credit rating should be defined (e.g. S&P/Moody's/Fitch, or Dun and Bradstreet). Limits should also be reviewed following an upgrade.

It's not clear from these rules exactly how a credit limit will be established. In the Large Transporters' UNC credit limits are established on the basis of the company's credit rating and a sliding scale as a percentage of the regulated asset value (RAV) of the network operator (e.g. a company rated A+ might get 40% of 2% of RAV, a BBB might get 10% of 2% of RAV). This methodology follows Ofgem's best practice guidelines. From what we can see



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here there is no firm methodology proposed?

If these things can be addressed we will be supportive of the MOD. If not we will not be in a position to support.

Completed forms should be returned to the iGT UNC Representative, Gemserv Ltd at iGT-UNC@gemserv.com or faxed to 020 7090 1001