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Our Ref: Net/Cod/iPGT11
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7 September 2004

Utility Grid Installations Ltd, Shippers and other parties

Dear Colleague,

Modification Proposal UGI006: Modifications to UGI Network Code - Section N, Users in default.

Ofgem has considered the issues raised in the above detailed modification proposal. Ofgem has decided to direct Utility Grid Installations Ltd (UGI) to implement the modification because we believe that it will better facilitate the relevant objectives of the UGI Network Code.

Background to the proposal

The Network Code states that any User who has an outstanding debt that is greater than £750 and has been outstanding for 15 business days or more is regarded as being in default of their Network Code obligations.

The proposer of the modification believes that by placing an additional obligation on the Transporter to send written notification to the User in default additional clarity and understanding of the Network Code contractual obligations will be achieved.

The modification proposal

It is proposed that the UGI Ltd Network Code be modified in order to provide additional security to users and to fall in line with similar arrangements across other Transporters (including Transco).

This modification will place an obligation on the Transporter to send written notification to any User considered to be in Default, stating that if payment is not received within 10 business days of receipt of such written notification, then that User will be deemed to be in Default.

Respondents' views

Four companies chose to respond to this modification proposal, all of which expressed full support. In particular respondents expressed the view that implementation of this modification proposal would enhance the clarity of the UGI Network Code and align it with the network codes of both Transco and other Gas Transporters.

Ofgem's view

This proposal is of a relatively minor nature and will serve to enhance the Gas Transporters' and Users' understanding of the way in which a Defaulting User is dealt with under the Network Code. It is Ofgem's view that this modification will assist the GT in better fulfilling its relevant objectives. In particular, it should help to improve the clarity of the arrangements for outstanding debt. In turn this will enhance the GTs fulfilment of their relevant objective to operate an efficient and economic pipe-line system.

Ofgem's decision

Ofgem has decided to direct UGI Ltd to implement the above modification proposal.

This modification should clarify User's understanding of the relevant Network Code obligation and will support UGI in its fulfilment of its relevant objective to operate an efficient and economic pipe-line system.

If you would like to discuss any aspect of this letter please feel free to contact Samantha McEwen on 020 7901 7032.

Yours sincerely

Nick Simpson
Director, Modifications