

Consultation Response

IGT132: Introduction of Code Credit Rules

Responses invited by: 27 Jan 2021

Respondent Details

Name: Chris Barker

Organisation: BUUK Infrastructure

Support Implementation

Qualified Support

Neutral

Do Not Support

Please briefly summarise the key reason(s) for your support / opposition

This change works to provide a standardised approach to Code Credit Rules, implementing arrangements and a methodology which will bring the IGT UNC in line with procedures available to other networks in the energy market. Such rules as required under legislation, licence, and authority guidance.

These rules work to strengthen the market by providing greater security for networks which in turns protects the end consumer. Rules as deemed necessary by the authority and highlighted in their guidance from 2005, stating the need for the energy markets to have Code Credit Rules in place.

Self-Governance Statement

Do you agree with the Modification Panel's determination with respect to whether or not this should be a self-governance modification?

As highlighted in the modification it is recommend that this change is sent to the authority for review and approval. This is because the modification originates from authority guidance to industry around the principles of code credit rules from 2005. It therefore seems appropriate that the authority should approve this modification as per the criteria outlined in Condition 9, paragraph 16 of the Gas Transporter Licence, whereby this change represents a possible material change and does not meet the criteria of Condition 9, paragraph 23, and the rules around Self-Governance.

Please state any new or additional issues that you believe should be considered

It is felt the workgroup have effectively covered the areas of concern that the modification might raise.

Relevant Objectives

How would implementation of this modification impact the relevant objectives?

Under legislation and licence transporters are required to operate a financially secure and efficient system' with the Authority expected to support measures that can support this endeavour. Code Credit Rules are part of this regime and as such this modification would ensure that objective A (rather than B as highlighted by the modification proposal) under code is better achieved, as it directly links to these higher principle obligations on networks.

Presently code credit rules are available under the IGT UNC, but through individual network codes. This represents a risk that parties will approach such arrangements in varying ways. This change (and the accompanying network code mods) aims to provide a standardised approach to code credit rules. This would improve the overall efficiency of the code, and therefore provide a positive influence on objective F.

Impacts and Costs

What development and ongoing costs would you face if this modification was implemented?

Maintaining code credit arrangements would require additional internal administrative work, but it is anticipated that the extra security Code Credit Rules would provide to the businesses economic activities would outweigh this.

This same principle correlates to the workgroup's assessment of the consumer impacts. While the evidence was inclusive around the costs to the consumer there is agreement that arrangements from Code Credit Rules would support the market to continue operating efficiently and thus protect the end consumer from potential future costs from scenarios where IGTs might default from cash flow concerns originating from shipper failure events.

Implementation

What lead time would you wish to see prior to this modification being implemented, and why?

It is felt that the modifications legal text can be implemented in the first IGT UNC release after Authority approval. It has been argued that a period of transition would be required but it should be reinforced that the modification works as an enabler, rather than a big bang effect of process changes. I.e., the legal text sets out the methodology and procedures parties to follow to implement code credit rules in a standardised format. The actual implementation of the arrangements however is based on discussions between industry parties with an expectation on 'reasonable endeavours' to implement in a timely manner. This approach and flexibility allow time for both IGTs and Shippers to effectively implement the arrangements without a delay to code implementation.

Legal Text

Are you satisfied that the legal text will deliver the intent of the modification?

The legal text has been drafted in a way like the DCUSA and thus Electricity arrangements. Concerns have been raised that this approach will mean difficulties for Shippers who will need to operate different arrangements between differing transporter parties. However, as the modification shows these differences are minimal because both the UNC and DCUSA rules originate from the same principles. With the industry moving ever closer towards a unified Gas and Electricity approach to procedures it makes sense for the IGT UNC to begin to look forwards to this inevitable future.

Further Comments

Is there anything further you wish to be taken into account?

As the modification has highlighted the increased number of SoLR events has increased the strain on IGTs who have no means of recovering bad debt in such scenarios. This represents a risk to the operation of the networks and therefore the integrity of the market. Code Credit Rules have been in the industry for some time as part of a layered approach to secure against such risks. It is in the authority's interest, and duty, to support such activities so that networks like IGTs can more effectively comply with obligations under licence and legislation. This modification works as an extension of these obligations by providing a standardised, and future proof, approach to Code Credit Rules for IGTs.

Responses should be submitted by email to IGTUNC@gemserv.com