

iGT UNC / iGT INC Consultation Response

Date	22 September 2008
Reference	iGT021 DMR
Title	Introduction of Credit Rules into the iGT UNC
Respondee	ES Pipelines, ESP Pipelines, ESP Networks, ESP Connections (ESP)
Position on the Modification	Support Modification

Facilitation of the relevant objectives

a. ESP agrees with the proposer that the proposal will facilitate the efficient and economic operation of ESP's pipeline system by furthering our ability to mitigate risk. Specifically, this will allow us to limit potential exposure to financial default, however unlikely. This better places us to make the investment decisions that our business is grounded on. The proposed credit rules would not demand a significant administrative burden for ESP to operate, particularly given that credit limits may not require review for considerable periods of time after being initially set.

b. In ESP's view, the proposal benefits pipeline operators other than the proposer, and so we consider that the efficient operation of one or more other relevant gas transporters is facilitated.

The facilitation of the further objectives is harder to quantify, although we consider that the proposal would not work to the detriment of any of those further objectives, and so there is nothing to outweigh the improvements noted under objectives a and b.

Additional Information and Comments

As an iGT ESP is directly affected by modifications made to iGT UNC. ESP does not have any Credit Rules in its network code and would welcome their introduction to the iGT UNC for the reasons given above.

ESP notes that a number of respondents to the modification proposal do not support the proposal on the basis that the proposed provisions would differ from those in the UNC. We do not believe that this in itself is a valid reason for rejection of the proposal, and in addition cannot perceive any negative impact of the proposal on non-iGT UNC parties. Provisions in a separate industry agreement and guidelines document should not prevent the introduction of what is a basic safeguard against risk to ESP's business, particularly when there is currently little understanding as to whether such guidelines would be appropriate or proportionate to iGT UNC parties.

Ultimately, the proposal will be judged against the relevant objectives of the iGT UNC operators and whilst the proposed ancillary document does not provide as much 'how to' detail as some parties might like, this is a very close representation of what currently exists for one iGT, and so should be regarded as a sensible step forward, and a



standardisation of procedure across iGTs.

Legal text

1.3.2 ESP is happy to retain the content in square brackets

1.4.3 may be missing a 'practicable' in the second line.

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

