

0024: "Independent security provision by an entity with an Investment Grade Rating of 'A' or above"

24 November 2005

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0024**

"Independent security provision by an entity with an Investment Grade Rating of 'A' or above"

Please note that Modification Proposal No 0024 was implemented with effect from 06:00 hours on 01/12/2005. The Final Modification Report, Version 2.0, was signed by Ofgem on 24/11/2005.

The new Code text resulting from this Modification follows.

Modified Text:

**UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL
DOCUMENT**

SECTION V: GENERAL

Amend paragraph 3.4.1 as follows:

Any instrument of surety or security provided by a User pursuant to paragraph 3.4.6 and the Code Credit Rules (and whether or not entered into by the User) shall not be part of the Code nor an Ancillary Agreement; and no provision or modification of the Code, nor any inconsistency between the Code and any such instrument, and nothing done by the Transporter pursuant to the Code, shall prejudice or invalidate any such instrument.

Amend paragraph 3.4.2 as follows:

Where a User has provided surety or security pursuant to paragraph 3.4.6 and/or the Code credit Rules the User (or the person giving the surety) may request the Transporter to release all or any of such security or agree to a reduction in any maximum amount of such surety.

Add new Paragraph 3.4.6 as follows:

A User may extend their level of exposure beyond the Unsecured Credit Limit by providing additional forms of security as detailed in the Code Credit Rules and in such form acceptable to the Transporter and/or in the form approved Letter of Credit or equivalent bank guarantee with a long-term issuer rating of not less than A2 by

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Moody’s Investors Service or equivalent rating by Standard and Poor’s (“Independent Security”)

Add new paragraph 3.4.7 as follows:

For the purposes of Code:

“Independent Security Provider” is a credit support provider outside the ownership structure of the User and which has no formal or informal control of security provided by the User, its parent company or its affiliated companies”.

A User may provide Independent Security from an Independent Security Provider (as set out in Paragraph 3.4.6 above) in a form acceptable to the Transporter and subject to the following conditions:

- (a) Credit support must be from entity with a long term debt rating of not less than A2 by Moody’s Investors Service or equivalent rating by Standard and Poor’s;
- (b) Credit support shall be legally enforceable in the UK. This may require the entity to provide reasonably acceptable counsel’s opinion;
- (c) The Country of residence of the support provider must have a sovereign credit rating of A2 by Moody’s Investors Service (or equivalent rating by Standard and Poor’s) or better for non local currency obligations; and
- (d) There are no material conditions preventing exercise of the security.

Yours sincerely,

Julian Majdanski
Modification Panel Secretary