

# Energy Balancing Credit Rules

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Prepared by Credit Risk Management - Energy

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## Introduction

Whilst all reasonable efforts have been made to verify the information in this document, it can only ever be a high level summary of some of the key provisions in the Uniform Network Code (UNC). This document is not a substitute for reading the detailed provisions of the UNC and must not be relied upon when making any contractual business or other decision. Nothing in this document has any contractual or legal force whatsoever and no representation or warranty is made as to the accuracy or completeness of the information contained herein. Without prejudice to any of the above, all and any warranties whether express or implied, statutory or otherwise are expressly excluded and all and any liability of xoserve Limited or any Transporter or any member of the "Energy Balancing Credit Committee" (EBCC) is excluded to the maximum extent permitted at law. No liability for fraudulent misrepresentation is excluded by the above.

## Purpose

When a User becomes a party to the "UNC" they become responsible for the financial implications of balancing it's daily gas flows into and out of the "Total System" i.e. the NTS and the Local Distribution Zones. This responsibility includes the assumption of a share of the credit risk associated with other User's Energy Balancing activity.

National Grid Gas PLC ("National Grid NTS") in its capacity as the owner and operator of the NTS and licensee under the Transporter's Licence authorising the conveyance of gas through the NTS, is responsible for managing the energy balancing regime. However, in accordance with UNC Section V National Grid NTS has discharged its responsibility for managing the activities of Section X of the UNC by appointing a Transporter Agency.

Currently xoserve Limited is appointed as the Transporter Agency

It should be noted that this booklet does not form part of the UNC but is referred to.

"Any capitalised terms used in the Energy Balancing Credit Rules shall have the same meaning given to them in the UNC [unless otherwise defined in the Energy Balancing Credit Rules]."

## About this Booklet

This booklet has been designed to provide existing and prospective Users with all the information they need about the Energy Balancing Credit Rules and how they are applied, by xoserve, in managing the community's financial exposure.

This booklet sets out to answer those questions that are most commonly asked by Users and gives an overview of how credit limits are established, secured and monitored. For ease of reference we have also provided cross-references to the UNC to provide you with a fuller explanation of a particular legal or technical issue. These references are set out in numbered boxes.

Once you have read this booklet, we will be pleased to discuss your requirements further and to answer any questions that you may have. Contact details can be found at the back of this booklet.

It should be noted that the Energy Balancing Credit Rules apply to energy balancing credit management only.

## What are the Energy Balancing Credit Rules (EBCR)?

The EBCR are the processes and procedures described in this booklet revised from time to time by agreement with the EBCC and they provide the framework by which all Users exposure to financial loss is managed.

### Box 1

X2.1.1 The "[Energy Balancing Credit Rules](#)" are the rules established by National Grid NTS dated 1st March 1996 and so entitled, as from time to time amended in accordance with paragraph 2.1.4 and 2.1.5.

### Box 2

X2.1.4 With the approval of the [Energy Balancing Credit Committee](#), National Grid NTS may revise the [Energy Balancing Credit Rules](#) upon giving notice to all Users of not less than two months or such shorter period as may in any particular case be approved by the Committee.

## Who is Responsible for Administering the Rules?

xoserve Ltd have been appointed by National Grid NTS to administer the provisions of Section X.

### Box 3

X1.1.2 Users have agreed (inter se) to, and requested National Grid NTS to implement, the provisions of Section X with a view to limiting the extent to which they will incur the liability described in paragraph 1.1.1.

## In the Event of an Individual User Failure who is Responsible for the Financial Loss?

All Users are jointly liable for any unpaid Energy Balancing Charge.

### Box 4

X1.1.1 The effect of the provisions of Sections F4.5.3(a)(ii) and F6.5.1(a)(ii) is that if a User fails to make payment of any Energy Balancing Charge when due, all other Users may become liable for (in aggregate) an equivalent amount (together with an amount in respect of the cost of financing such non-payment).

## 1. General

### 1.1 What are our Powers as Credit Risk Manager - Energy?

Section X vests several powers to enforce and effectively manage Energy Balancing Operations.

Power	Section X	Draft layout: appendix in this document
Initiate revisions to Secured Credit Limits	X2.2.6	
Release Security	X2.3.4	
Identify current Outstanding Relevant Balancing indebtedness	X2.5.1	
Issue "Cash Call Notices"	X2.6.1	1
Respond to User "Cash Call Appeals"	X2.7.1	2
Release surplus Cash Call Account funds	X2.8.6	
Issue "Notices of Failure to Pay Cash Call"	X2.9.1	3
Issue "Failure to Make Payment Notices"	X3.2.1	4
Issue "Termination Notices" for services pursuant to the Section X	X2.9.3 & X3.2.2	
Recover Energy Balancing Debt including realising Security	X3.3.1 & X3.4	
Issue "Further Security Request"	X2.10	10
Respond to "Further Security Request appeals"	X2.10	11

### 1.2 Powers and Duties Relating to the EBCC

The EBCC is a "Uniform Network Code Committee or any relevant sub committee", and is a body of industry representatives with certain rights and responsibilities relating to the management of the Community's energy balancing credit risk.

The EBCC is chaired by the Joint Office and is attended by elected User representatives, National Grid NTS's Energy Balancing Credit Risk Manager and Ofgem.

User representatives are elected annually on the 1<sup>st</sup> October and they are the only persons who are entitled to vote.

Members are representatives in their own right and do not represent the company by which they are employed.

The principles that the EBCC will endeavour to adhere to, influence the operational framework that is currently in place to manage Energy balancing credit are:

- To ensure systems, processes and procedures are developed in a manner that is not unduly discriminatory and recognises the circumstances of all Users in Energy Balancing.
- To ensure practice and procedures do not present undue barriers to entry, within the limits of prudent business management.
- To protect the gas industry from avoidable financial loss resulting from User default; and
- To encourage appropriate commercial behaviour.

Box 5

X1.2.2 Where this Section X provides for any decision by the [Energy Balancing Credit Committee](#) (including any approval or authorisation of anything proposed to be done by National Grid NTS) such decision shall be taken by the affirmative vote of a simple majority of the members of the committee who are appointed to represent Users (and subject to such other procedures as the committee may establish); and the representatives of National Grid NTS who are members of the Uniform [Network Code Committee](#) or any relevant sub-committee will not vote on any matter brought before the [Energy Balancing Credit Committee](#) pursuant to Section X.

The committee endeavours to meet on a monthly basis, and for the purposes of voting a quorum of five voting members is required. Decisions are made by a simple majority.

In addition to the regular meetings detailed above, should the need arise for National Grid NTS to consult with the committee on a particular issue or in relation to any aspect of its functions, an 'operational meeting' can be called. An operational meeting may be convened at 36 hours notice and for voting a quorum of three elected members is required.

A teleconferencing facility exists for situations where any meeting cannot be conducted by any other means or as agreed by members.

The following table summarises the high level powers and duties of both the EBCC and National Grid NTS as set out in Section X of the UNC.

**High Level Summary of the Powers and Duties under the Section X of the UNC relating to the EBCC.**

Section X paragraph	National Grid NTS's Powers and Duties	EBCC's Powers and Duties
<b>1.2 Energy Balancing Credit Committee</b>		
1.2.3	Consult the EBCC in relation to any function required.	
1.2.3	Convene an EBCC meeting on a reasonable period of notice.	
1.2.4	Defer taking any step until after consultation with EBCC at a convened meeting.	
1.2.5	Will not disclose the identity of Users to the EBCC when discussing matters with the EBCC, unless: <ul style="list-style-type: none"> <li>• the User agrees or</li> <li>• the matter cannot be discussed without disclosure or</li> <li>• National Grid NTS has given a Termination Notice to the User</li> </ul>	

1.2.6	Authorised to delay the implementation or modify any provision upon EBCC approval.	With the approval of the Energy Balancing Credit Committee, National Grid NTS is authorised, in implementing the provisions of this Section X as respects Users or any particular User, to delay the implementation of any such provision or to implement any such provision on a modified basis which is (as respects the interests of Users or the User in question) less onerous than the provision in the absence of such modification
1.2.7		No individual liability of members of the EBCC for acts done in good faith.
1.2.8		Limits non liability provisions for EBCC members
<b>1.3 Liability of National Grid NTS</b>		
1.3.7	Defend claims against it which are a consequence of taking action.	
1.3.7 (a)	Consult and keep informed the EBCC of any claim and the defence (subject to confidentiality)	
1.3.7 (b)	On EBCC approval, agree settlement in any claims.	
<b>2.1 Security, Energy Balancing Indebtedness and Cash Call Principles</b>		
2.1.4	On EBCC approval, revise the Energy Balancing Credit Rules	
2.1.4	Normally give at least 2 months notice to all Users before revising the Energy Balancing Credit rules. The EBCC can reduce this period in any particular case.	
<b>2.3 Securities</b>		
2.3.2	Consult the EBCC where a User's proposed Security is not substantially in accordance with the Energy Balancing Credit Rules.	Approval of Security not substantially in accordance with the EBCC Rules
<b>2.9 Failure to Pay Cash Call</b>		
2.9.7	Before National Grid NTS shall take the action envisaged by paragraph 2.9.3, of Section X National Grid NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable on or after one Business Day following the date of the notice given to the User pursuant to paragraph 2.9.1 and shall consult with the Energy Balancing Credit Committee to determine whether National Grid NTS should be obliged to issue the Termination Notice, pursuant to paragraph 2.9.3, or whether National Grid NTS should defer taking such step.	To determine whether National Grid NTS should be obliged to issue the Termination Notice pursuant to paragraph 2.9.3 or whether National Grid NTS should defer taking such step.

<b>2.10 Further Security Request</b>		
2.10.9	Notify the EBCC on issuing a Failure to Supply Further Security notice.	
2.10.12	Convene a meeting with the EBCC to consult with them whether to issue or defer the issue of a Termination Notice following the issue of a Failure to Supply Further Security Notice.	
<b>2.11 Trading System Operator</b>		
2.11.2 (a)	Convene a meeting with the EBCC where the amount of the Trading System Operator's outstanding relevant balancing indebtedness exceeds 60% of its Secured Credit Limit.	
2.11.2 (b)		The EBCC shall consider the delayed or modified implementation of the provisions of the section in relation to Trading System Operator.
2.11.2 (c)	Implement the provisions as determined by the EBCC	
2.11.3 (a)		Delay the application of paragraph 2.6 (Cash Calling) until indebtedness exceeds such amount that the EBCC approves.
2.11.3 (b)	Withhold amounts payable as instructed by the EBCC	Authorise National Grid NTS to withhold amounts payable until indebtedness no longer exceeds pre-approved amount.
2.11.3 (c)	Withhold interest payable as instructed by the EBCC	Authorise National Grid NTS to withhold interest payable pursuant to Section S.
2.11.3 (d)	Take steps authorised	Authorise National Grid NTS to take steps in relation to the implementation it considers reasonable.
2.11.3 (e)		Require that Trading System Operator take such steps it considers reasonable pursuant to Section X
2.11.4 (a)		Request National Grid NTS to provide details of any steps taken, to be provided as soon as reasonably practical.
2.11.4 (b) (i)		Request the Trading System Operator to provide details of the levels of security arrangements in place with Users and 3 <sup>rd</sup> parties for the purposes of the Trading Systems Arrangements, to be provided as soon as reasonably practicable
2.11.4 (b) (ii)		Request the Trading System Operator to provide details of the historic and current levels of utilisation of credit facilities by Users and other credit arrangements, to be provided as soon as reasonably practicable..
2.11.4 (b) (iii)		Request the Trading System Operator to provide details of the current projections of its future cash flows, to be provided as soon as reasonably practicable.

2.11.4 (b) (iv)		Request the Trading System Operator to provide details of any steps taken in relation to Users pursuant to other credit arrangements, to be provided as soon as reasonably practicable.
2.11.4 (b) (v)		Request the Trading System Operator to provide details of a trend analysis of its trading activities and movement of Outstanding Relevant Balancing Indebtedness, to be provided as soon as reasonably practicable.
<b>3.2 Failure to make payment</b>		
3.2.3	National Grid NTS will send a copy of any notice given under paragraph 3.2.1 or 3.2.2 to the Authority (Ofgem) and without prejudice to paragraph 1.2.5 will notify the Energy Balancing Credit Committee that such a notice has been issued.	
3.2.5	Convene a meeting with the EBCC as soon as reasonably practicable on or after the Business Day following the date of notice given to User to determine whether National Grid NTS should issue a Termination Notice.	
<b>3.4 Enforcement and Recovery Steps</b>		
3.4.2	Direct National Grid NTS as to what Recovery steps (if any) to take to recover Energy Balancing Debt from a defaulting User and to enforce and realise the Security provided by a defaulting User.	
<b><u>4. Appointment of Receiver</u></b>		
4.2	Convene a meeting with the EBCC as soon as reasonably practicable following the failure of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner to provide assurances referred to in Section V4.3.5 (b) and to determine whether to issue or defer issuing the Termination Notice.	
4.3	Take such action as the EBCC recommends pursuant to the meeting.	

## 2. How Does the Credit Risk Framework Operate?

### 2.1 Terminology

#### What is the Secured Credit Limit?

The Secured Credit Limit represents the value of Security provided by a User, which in the event of a default, would be realised to meet its "Outstanding Relevant Balancing Indebtedness" (defined as invoiced, unpaid Energy Balancing charges and accrued Energy Balancing Charges for the period which have yet to be invoiced).

Box 6

X2.2.2 For each User the "[Secured Credit Limit](#)" shall be the amount determined under paragraph 2.2.3

X2.2.3 The amount referred to in paragraph 2.2.2 is the amount for the time being of the security the User has provided.

#### What is the Cash Call Limit?

The Cash Call Limit represents a threshold for indebtedness which, when breached, leads to a User being requested to pay a prescribed amount of cash to National Grid NTS in order to reduce the level of indebtedness. It is defined as a percentage of the Secured Credit Limit (currently 85%).

Box 7

X2.4.1 For each User the "[Cash Call Limit](#)" is the amount, not exceeding 85% of the User's [Secured Credit Limit](#), elected by or assigned to the User in accordance with this paragraph 2.4 as the limit on its [Outstanding Relevant Balancing Indebtedness](#).

A Cash Call is issued to a User whenever indebtedness rises above the Cash Call Limit. It requires the User to reduce indebtedness to 90% of the Cash Call Limit. This approach prevents the User receiving a series of subsequent small Cash Calls.

#### How is the Cash Call Limit Calculated?

##### New Users

Calculation is based on 3 days non-deliverability at 12 months average SAP price to give a figure that represents 85% of the Secured Credit Limit (this should be based upon an estimate of projected annual throughput).

##### Existing Users

Calculation will initially be based on 75% utilisation of peak indebtedness over last 12 months to give a figure that represents 85% of the Secured Credit Limit.

## Why is the Secured Credit Limit Greater than the Cash Call Limit?

The Secured Credit Limit is greater than the Cash Call Limit In order to provide a security 'buffer' in the event that a Cash Call is not paid. The buffer is intended to provide cover for potential increases in User Outstanding Relevant Balancing Indebtedness that can occur during the time period between the Gas Flow Day and the day on which either a Cash Call is paid or, in a worst-case scenario, termination proceedings commence.

The table below outlines the period for which the buffer is intended to cover:

Description	Elapsed Days Minimum	Elapsed Days Maximum
Business days after the Gas Flow Day, for which Outstanding Relevant Balancing Indebtedness is being measured, during which Users or their User Agents are required to submit initial Entry Allocation Statements	7	7
Intervening weekend(s)	2	4
Business Days <i>after</i> D+7 Gas Flow Day, during which information is gathered for report generation	2	2
Issue 'Cash Call' notice	-	-
Business Day(s) to appeal Cash Call	-	1
Business Day(s) to review indebtedness calculations	-	1
Business Day(s) to pay Cash Call	1	1
Business Day(s) to issue 'Failure to pay Cash Call' notice	-	1
Business Day(s) to meet Cash Call prior to Termination Notice being issued	-	1
Intervening weekend(s)	-	2
<b>Total</b>	<b>12</b>	<b>20</b>

## 2.2 What Types of Security are Acceptable?

All Users are required to lodge adequate Security in support of their energy balancing activity, Users are able to lodge Security with National Grid NTS to the value of their Secured Credit Limit. In the event of a change in limit, the Security lodged would change accordingly. The Security provided can either be in the form of:

- an Irrevocable Standby Letter of Credit, issued by a UK branch of a Financial Institution with a long term senior unsecured credit rating of not less than A1 (see section 2.2a of this document) provided by Moody's Investors Services or such equivalent rating by Standard and Poor's Corporation (where such ratings conflict, the lower of the two ratings will be used). The letter of credit must be issued in favour of National Grid Gas plc. The Unconditional irrevocable Standby Letter of Credit will have a deemed value of zero for the purposes of security one month prior to maturity. The accepted format of the Irrevocable Standby Letter of Credit is set out in Appendix 6.
- a "Multiple User Irrevocable Standby Letter of Credit" issued by a UK branch of a Financial Institution with a long term senior unsecured credit rating of not less than A1 (see section 2.2a of this document) (Moody's) provided by Moody's Investment Services or such equivalent rating by Standard and Poor's Corporation (where such ratings conflict, the lower of the two ratings will be used). The letter of credit must be issued in favour of National Grid Gas plc. The accepted format of the Multiple User Unconditional Irrevocable Standby Letter of Credit is set out in Appendix 7. The Letter will have a deemed value of zero for the purposes of security one month prior to maturity. If this form

of Security is the preferred option the companies that are covered under the Multiple User Irrevocable Standby Letter of Credit must have the same Parent Company (as defined in UNC TPD V3.4.5) in common. A side letter outlining the credit limits that have been assigned to each User must accompany the Multiple User Irrevocable Standby Letter of Credit. The accepted format of the side letter is set out in Appendix 8.

- A Deposit Deed for an amount that is either part or all of the Secured Credit Limit. The accepted format of deposit deed is set out in Appendix 9.

Should the rating of the financial institution providing Security fall below Moody's rating A1 or Standard and Poor's equivalent (see section 2.2a of this document), the User will be required to provide acceptable revised Security within 30 days of National Grid NTS's request.

Where the rating of the financial institution providing Security falls below A3 (provided by Moody's Investors Services or such equivalent rating by Standard and Poor's Corporation), or where an insolvency practitioner is appointed to manage the affairs of said financial institution or company, National Grid NTS shall give notice to down grade the User's Secured Credit Limit to zero with immediate effect in accordance with X2.2.6 (b). For the avoidance of doubt, National Grid NTS will continue to hold the original Security provided until such time as an acceptable alternative has been received and National Grid NTS has confirmed that the replacement security meets the requirements of the Energy Balancing Credit Rules.

#### Box 8

X2.3.1 For the purposes of Section X "Security" means letter of credit or cash by way of security for a User's indebtedness for Energy Balancing Charges, in the forms specified in, and provided and documented in accordance with any applicable requirements of, the Energy Balancing Credit Rules.

## 2.2a Rating Comparison Table.

The following table explains the rating action that will be taken by National Grid NTS in the event that the rating of a financial institution providing Security falls below the acceptable rating. Only financial institutions with a Moody's rating of A1 or above or Standard and Poor's equivalent as detailed below, will be acceptable. Any rating below Moody's A1 or Standard and Poor's equivalent is not acceptable.

In the event that a renewal of Security is required, the User(s) will be notified in writing before the expiry date, to put in place revised Security 30 days prior to the existing Security's expiry. If the revised Security is with a financial institution where accepting this Security would cause the Aggregate Limit to be exceeded, the User(s) will be notified by email immediately upon the User notifying National Grid NTS and will be asked to provide an alternative financial institution to provide Security.

Ratings Comparison		Aggregate Limit (Maximum exposure acceptable for an individual Financial Institution)	Rating Action
Moody's	S&P		
Aaa, Aaa1, Aaa2, Aaa3, Aa1, Aa2, Aa3	AAA, AAA-, AA+, AA, AA-	£62,000,000	Rating is acceptable provided that the maximum Aggregate Limit is not exceeded.
A1,	A+	£25,605,000	Rating is acceptable provided that the maximum Aggregate Limit is not exceeded.
A2, A3,	A, A-,	Zero	Rating is not acceptable. In the event of a downgrade below A1 Moody's or equivalent, The User(s) will be notified to provide alternative Security within 30 days. Failing to put in place Security 30 days after notice, the User(s) Secured Credit Limit will be set to zero and the Cash Call process will drive any indebtedness.
Baa, Baa1, Baa2, Baa3	BBB+, BBB, BBB-, BB+	Zero	Rating is not acceptable. In the event of a downgrade to below A3 Moody's or equivalent rating, The User(s) Secured Credit Limit will be set to zero with immediate effect and the User(s) affected will be notified to provide alternative Security. The Cash Call process will drive any indebtedness.

## QUESTIONS & ANSWERS

### What happens in the event an Aggregate Limit is exceeded?

The Aggregate Limit may not be exceeded. If in the event that this happens, the User(s) affected will be scaled back as a percentage of usage that is equitability across all Users. The User(s) will be requested to provide alternative Security from another financial institution.

### **What happens in the event that the EBCC members change the Aggregate Limit?**

In the event that the Aggregate Limit is reduced, National Grid NTS will advise all affected User(s) of such action and where necessary will scale back all Users' Secured Credit Limits proportionately by a % consistent with the % reduction.

In the event that the Aggregate Limit is increased, User(s) can if required, increase their Secured Credit Limit with a financial institution provided that the Aggregate Limit is not exceeded.

### **How often are the Aggregate Limits reviewed?**

The Aggregate Limits, once agreed by members of the EBCC will be reviewed at least annually.

### **How often will the Financial Institutions be monitored to ensure the Aggregate Limits are not exceeded?**

The financial institutions are monitored daily. Firstly, to ensure that the financial institutions are at an acceptable rating and secondly, to ensure that the financial exposure does not exceed the Aggregate Limit.

### **What happens in the event that a Financial Institution has been downgraded?**

In the event where a financial institution providing Security has been downgraded below Moody's A1 or Standard and Poor's equivalent, the User will be contacted by phone on the same Business Day that the downgrade occurred, or as soon as reasonably practicable following such event. In addition, the User will also be notified by email and post.

### **What course of action needs to be taken by the User(s) affected where a Financial Institution has been downgraded?**

The User(s) will be requested to put in place alternative Security with another financial institution within 30 days of the date that the notice was given. It is advisable to notify National Grid NTS as soon as possible who the alternative Security provider is likely to be. This is to ensure that the financial institution(s) has sufficient headroom and will not exceed the agreed Aggregate Limit outlined in the table overleaf. If the alternative proposed Security provider will cause the Aggregate Limit to be exceeded, the User will be advised to again seek an alternative financial Institution.

However in the event that a downgrade is below Moody's A3 or Standard and Poor's equivalent A-, the User will be notified by phone, email and by post that the User's Secured Credit Limit will be set to zero and the exposure will be managed by the Cash Call Process..

### **What happens if the User has not put in place alternative Security within 30 days of notification of the downgrade?**

If the User has not provided an alternative form of Security within the 30 days of the notice given, the Users Secured Credit Limit will be set to zero. The User will be contacted by phone, email and writing to advise that this action has been taken and the exposure will be managed by the Cash Call Process.

### **What happens if the alternative Financial Institution provided, will cause the Aggregate Limit to be exceeded?**

The User will again be asked to provide an alternative financial institution to ensure that Aggregate Limit is not exceeded. In order to ensure that this process is as effective and efficient as possible it is imperative that the User engages National Grid NTS in the process at as early stage as possible. User(s) will be treated on a 'first come first served basis'.

This situation is more likely to arise in the event that a User's Security is due for renewal and the requested revised amount is greater than the original level of Secured Credit Limit currently in place, or if a new User(s) is acceding to the Network Code.

### **Can Security be lodged with more than one Financial Institution?**

Yes, a Users exposure can be secured by any number of financial institutions providing that the value of such security does not exceed the Aggregate Limit accepted in respect of each Financial Institution providing security. This will be dealt with on a 'first come, first served basis'.

This is more likely to occur where a User(s) security is up for renewal and the requested revised amount is greater than the original level of Security. Also this could occur if a new User(s) is acceding to the Network Code.

### **What happens in the event where more than one User requests Security with the same Financial Institution and by using both will cause the Aggregate Limit to be exceeded, who will be given priority?**

In the event where one or more Users request Security with the same financial institution, the User who currently holds security with that financial institution will be given priority providing that the revised Security Limit will not cause the Aggregate Limit to exceed. If the additional Security will cause the Security to exceed the Aggregate Limit, this will be treated on a 'first come, first served basis'. The User(s) have the option of replacing all of the Security with another financial institution or leaving the existing Security in place and any additional Security with another financial institution. Once the Aggregate Limit is reached for an individual financial institution, the other User(s) will be asked to provide an alternative Financial Institution to provide Security.

This is more likely to happen in the event of a Security renewal where the requested revised amount is greater than the original level of Security or a new User(s) is acceded to the Network Code.

### **What happens to the existing Security that National Grid NTS currently holds in place whilst an alternative Security is being sought?**

For the avoidance of doubt, National Grid NTS will continue to hold the original Security provided until such time as an acceptable alternative has been received and National Grid NTS has confirmed that the replacement security meets the requirements of these EBCR's.

## **2.3 When is a User's Secured Credit Limit Revised?**

A User's Secured Credit Limit will be reviewed at least every 12 months. However a review may be initiated at any other time if it is deemed there are reasonable grounds to do so in the event that a User's circumstances have changed.

### Box 9

#### X2.2.6

(a) A User's Secured Credit Limit may also be revised, in accordance with the Energy Balancing Credit Rules, save where either paragraph 2.2.6(b) or (c) applies, on notice of not less than 30 Days (or any lesser period agreed by the User) to the User:

- i) at intervals of approximately 12 months;
- ii) where any published credit rating of a provider of security is revised downwards;
- iii) where (but without prejudice to any requirement of the Energy Balancing Credit Rules) any instrument of Security expires or is determined;
- iv) where at any time National Grid NTS has reasonable grounds to believe that the effect of the review will be to reduce the User's Secured Credit Limit provided that nothing in Section X shall require National Grid NTS to undertake a review under paragraph 2.2.6(a)(ii) or 2.2.6(a)(iii).

(b) Where any published credit rating of a provider of security is revised downwards to the extent that the said credit rating following such revision is less than the minimum prescribed credit rating as set out in the Energy Balancing Credit Rules, a User's Secured Credit Limit may be immediately reviewed and revised by National Grid NTS in accordance with the Energy Balancing Credit Rules, on notice to the User.

A User may at anytime apply to increase its Secured Credit Limit.

### Box 10

X2.2.4 A User may apply to increase its Secured Credit Limit by giving notice to National Grid NTS specifying the basis (in accordance with paragraph 2.2.3) for the increased limit and (if the User wishes) the increased limit sought, and where any new or revised Security forms part of such basis, submitting such Security.

### **3. How is outstanding Energy Balancing Indebtedness calculated?**

The equation used for the calculation of Outstanding Energy Balancing indebtedness is shown below.  
$$\text{Outstanding Energy Balancing Invoice} + \text{Cumulative Daily Indebtedness} + \text{Accrual Adjustments} + \text{Outstanding Reconciliation Invoice (or any ad hoc invoices)} - \text{Cash Call Account Balance} = \text{Outstanding Energy Balancing Indebtedness.}$$

There are four key components to this equation: Outstanding Energy Balancing invoice(s), Cumulative Daily Indebtedness, Accrual Adjustments and Cash Call Account Balances.

1. **Outstanding Energy Balancing Invoice(s):** The amount invoiced to Users twenty three Business Days after month end, which is eight Business Days after the Entry Close-out Date final input allocations (i.e. M+15 Business Days). Note that although the invoice is not due for payment until twelve calendar days after issue, it is still used to calculate the amount of a User's indebtedness.
2. **Cumulative Daily Indebtedness**, (which includes four types of charges: Daily Imbalance Charges, Scheduling Charges, Basic Balancing Neutrality) Charges and Physical Renomination Incentive Charges is measured:
  - ^ from the Gas Flow day of the 1<sup>st</sup> (i.e. the first Gas Flow Day not covered by the last submitted invoice)
  - ^ up to the most recent gas flow day, which has:
    - \* passed the due date for Users, or their User Agents, to submit initial Entry Allocation Statements (i.e. seven Business Days after the Gas Flow Day or D+7) or D+7) and
    - \* allow one day for information gathering and report production
3. **Accrual Adjustments:** following implementation of Modification 0474 (Revision to Indebtedness Cash Call trigger) in December 2001, an Accrual Adjustment for the period 'D-7' to 'D-2' is included in the Outstanding Energy Balancing Indebtedness in respect of each of the Daily Imbalance Charges.  
(NB: Following implementation of Mod 0685, the Trading Systems Operator's exposure is based upon actual data for this period, due to its unique position.)
4. **Cash Call Account Balances** are subtracted to offset the gross indebtedness as measured above.

Appendix 5 contains an example of the Daily Energy Balancing Indebtedness Report.

Note: The timing requirement for production of invoices, submissions of data etc. are detailed in section S of the UNC.

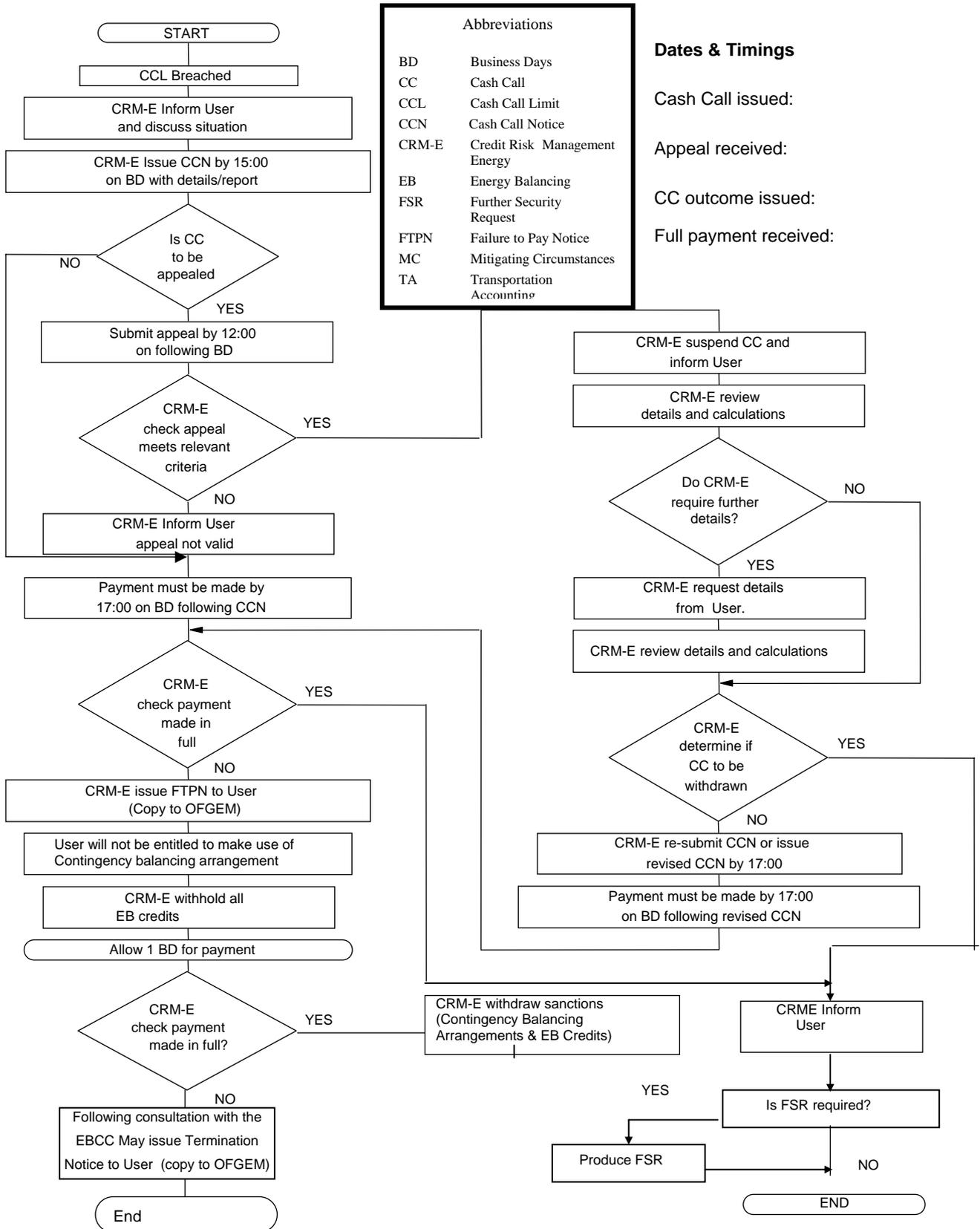
All Users indebtedness is monitored on a daily basis and escalatory actions taken to ensure that exposures are maintained within the agreed tolerances.

The flow chart overleaf diagrammatically illustrates the 'Cash Call' process. Please note that this is broadly illustrative of the typical process flows and associated timescales, and is intended to reflect the application of Section X.

### 3a. Calculation of Energy Balancing Indebtedness?

<u>Day</u>	<u>Date</u>		<u>Business Day</u>	<u>Calculation</u>	
Mon	1 Sept		01	<i>Outstanding Energy Balancing Invoice</i>	
Tue	2 Sept		02		
.....	.....		.....		
Fri	26 Sept		20		
Sat	27 Sept				
Sun	28 Sept				
Mon	29 Sept		21		
Tue	30 Sept	Last Gas Flow in current invoice	22		
Wed	1 Oct	First Gas Flow Day not included in current invoice	01		
Thu	2 Oct		02		+
Fri	3 Oct		03		
.....	.....		.....		
Fri	17 Oct		13	<i>Cumulative Daily Indebtedness</i>	
Sat	18 Oct				
Sun	19 Oct				
Mon	20 Oct		14		
Tue	21 Oct	Input allocations for previous month finalised ('M+15')	15		
Wed	22 Oct		16		
Thu	23 Oct		17		
Fri	24 Oct		18		
Sat	25 Oct				+
Sun	26 Oct	Current 'D+7' Gas Flow Day for use in cumulative indebtedness calculations			
Mon	27 Oct		19	<i>Accrual Adjustments ('D-7' to 'D-2')</i>	
Tue	28 Oct		20		
Wed	29 Oct		21		
Thu	30 Oct		22		
Fri	31 Oct	September invoice issued	23		
Sat	1 Nov				+
Sun	2 Nov				
Mon	3 Nov		01		<i>Outstanding Reconciliation Invoice or any ad hoc Invoices</i>
Tue	4 Nov		02		
Wed	5 Nov	Current Gas Flow Day	03		
				-	
				<i>Cash Call Account Balance</i>	
				=	
				<i>Outstanding Energy Balancing Indebtedness</i>	

**Cash Call Flow Chart**



Abbreviations	
BD	Business Days
CC	Cash Call
CCL	Cash Call Limit
CCN	Cash Call Notice
CRM-E	Credit Risk Management Energy
EB	Energy Balancing
FSR	Further Security Request
FTPN	Failure to Pay Notice
MC	Mitigating Circumstances
TA	Transportation Accounting

**Dates & Timings**

Cash Call issued:

Appeal received:

CC outcome issued:

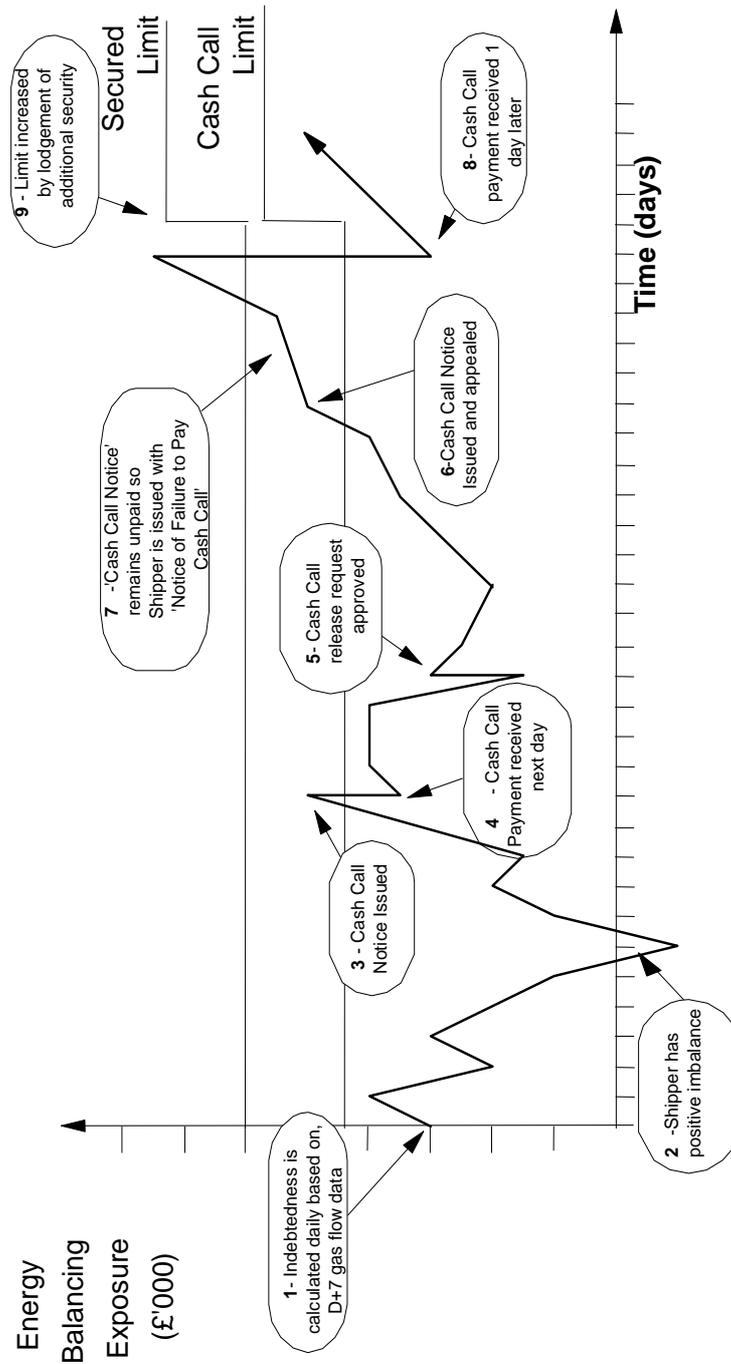
Full payment received:

??

The diagram above illustrates a series of practical indebtedness scenarios and the attendant corrective action required from the User:

**Illustrative example of the 'Cash Call' process**

The diagram below illustrates a series of practical indebtedness scenarios and the attendant corrective action required from the User:



## When is a Cash Call issued?

A Cash Call Notice is issued when a User exceeds its Cash Call Limit and must be issued before 3pm on the same Business Day or it will be treated as having been issued on the next Business Day.

Box 11

X2.6.5 Subject to paragraph 2.6.6, where a Cash Call or Further Security Request is submitted on a Day which is not a Business Day, or after 15:00 hours on a Business Day, it shall be treated as having been made on the next following Business Day.

## When Must Payment be Made?

Payment must be received by the following Business Day unless an appeal is lodged.

Box12

X2.8.1 A User shall, subject to paragraph 2.7, make payment of the full amount of a Cash Call on the Business Day following the Day on which the Cash Call was made.

## When Must an Appeal be Lodged?

An appeal must be lodged no later than 12.00 hrs on the Business Day on which the Cash Call Notice is due for payment.

Box13

X2.7.1

Where:

- a) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;
- b) the amount of the relevant Cash Call, alone or in Aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the lesser of £1,000,000 and 20% of the User's Cash Call Limit, and
- c) the User considers that the amount of the relevant Cash Call has been calculated erroneously,

the User may, not later than 12:00 hours on the Business Day on which the relevant Cash Call is (in accordance with paragraph 2.8.1, disregarding paragraph 2.7.8(a)) due for payment, so notify National Grid NTS, specifying in as much detail as is possible the User's reasons for so considering

## What Happens Once Valid Appeal Data is Received?

Where a valid appeal is received by the deadline the Cash Call is suspended pending validation. The appeal data is reviewed and the original indebtedness re calculated.

Box14

X2.7.2	Where a User gives a notification under paragraph 2.7.1: <ul style="list-style-type: none"><li>a) the relevant Cash Call (and the obligation of the User to make payment thereof) will be suspended, subject to paragraph 2.7.3;</li><li>b) National Grid NTS will review the details provided by the User and will review the calculations made of the User's Outstanding Relevant Balancing Indebtedness;</li><li>c) if requested by National Grid NTS the User shall provide by telephone or facsimile any further details or explanation of its view.</li></ul>
--------	---

If the calculation is found to be incorrect, the Cash Call will either be deleted or re-issued. Where the Cash Call is re-issued before 17.00 hrs on the second Business Day following its original issue; it is due for payment the Business Day following re-issue. Once a Cash Call is re-issued there is no further right of appeal and payment must be made into the Users Cash Call Account.

If the appeal data is incorrect or insufficient the User will be advised that the original Cash Call remains valid.

Box 15

X2.7.3	Following its review under paragraph 2.7.2(a) National Grid NTS will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under paragraph 2.7.1): <ul style="list-style-type: none"><li>(a) where it is reasonably satisfied that there has been or may have been such an error, withdraw the relevant Cash Call or revise the relevant Cash Call accordingly and submit the revised Cash Call to the User;</li><li>(b) otherwise, notify the User that the original Cash Call remains valid (and is no longer suspended);</li></ul> and any such revised Cash Call or notification shall be substantially in the form set out in the Energy Balancing Credit Rules, and if given on a Day which is not a Business Day or after 17:00 hours on a Business Day shall be treated as having been given on the next following Business Day
--------	--

## What happens if the Cash Call is not Appealed and not Paid?

When the Cash Call is not paid or appealed, the User is issued with a 'Failure to Pay Cash Call Notice' that must be met within one Business Day in order to avoid Termination proceedings potentially being initiated.

## Other Points to Consider:

Where the User's Outstanding Energy Balancing indebtedness exceeds its Cash Call Limit, payment of any Energy Balancing Charges may be withheld until the User's Outstanding Energy Balancing Indebtedness falls below its Cash Call Limit. Late payment interest on the withheld value will not be paid and the invoice value will be transferred into the User's Cash Call Account.

When indebtedness is below 90% of the Cash Call Limit and there is a positive balance in the Cash Call account then the User may request repayment of any amount provided the resultant Outstanding Energy Balancing Indebtedness would not be more than 90% of the Cash Call Limit. The amount will be repaid as soon as it is reasonably practicable following the User request. National Grid Gas NTS may ignore a request to return funds if the User was in administration, receivership or default. National Grid Gas NTS may also withhold payment of Energy Balancing Charges and will not pay late payment interest on the withheld value. Again, such monies will be paid into the User's Cash Call Account.

Where a User is issued with more than one Cash Call within a 28 day period a Further Security Request will be issued. This will require the User to provide further, additional or revised Security to the value of the Users peak exposure in the period in question (the "Measurement Period").

For the avoidance of doubt, a User must maintain the level of Security equal to the level of their peak indebtedness for a minimum of 90 calendar days. However in the event of subsequent Further Security Requests, the level of Security ie all Security must remain in place for a further 90 days. After this period has lapsed, the User may request the return of their Further Security provided that there have been no Further Security Requests issued in accordance with the provisions of Section X 2.3.4 and 2.3.5

## 4. How does the “Request to Provide Further Security” (RPFS) Process Operate?

### 4.1 When is a RPFS made?

A Request to Provide Further Security is made, if a User receives two Cash Calls within the Measurement Period.

Box17

X2.6.4 Paragraph 2.10 shall apply where within 28 days of the submission of a Cash Call to a User National Grid NTS submits a further Cash Call (including a revised Cash Call pursuant to paragraph 2.7.3) to the same User.

### 4.2 How is the Further Security Calculated?

The peak indebtedness is taken from the Measurement Period and is divided by 85%. The current indebtedness is then subtracted and the total is rounded to the nearest thousand pounds.

e.g.  $107,500$  (peak indebtedness)  $/85 \times 100 = 126,470 - 95,697$  (Current Security) =  $30,773$

Further Security (rounded figure) =  $31,000$ .

### 4.3 What if a User is issued with a Cash Call that is Appealed and Withdrawn?

Notices which have been appealed or withdrawn will not count towards the two Cash Calls within the Measurement Period.

### 4.4 Is there a Right of Appeal?

A User may appeal by providing data/information in support of the appeal by 12:00 hrs on the 5<sup>th</sup> Business Day following issue of the RPFS.

Box17

X2.10.3 Where:

- (a) a Further Security Request (the "**relevant**" Further Security Request) has been submitted to a User; and
- (b) the User considers it inappropriate that it should be required to provide a further, additional or revised Security,

The User may, not later than 12:00 hours on the 5th Business Day following the Day on which the Further Security Request was submitted, so notify National Grid NTS, specifying in as much detail as possible the User's reasons for so considering.

#### 4.5 What Happens if no Appeal is Made?

A User must lodge the further Security with National Grid NTS by 12:00 hrs on the 8<sup>th</sup> Business Day following issue of the RPFS. (Such Security should conform to with the prevailing provisions for security as contained within section 4 of this EBCR . For the avoidance of doubt, a User must maintain the level of Security equal to the level of their peak indebtedness and must remain in force for a minimum of 90 calendar days. However in the event of subsequent Further Security Requests, the level of Security ie all Security must remain in place for a further 90 days. After this period has lapsed, the User may request the return of their Further Security provided that there have been no Further Security Requests issued in accordance with the provisions of Section X 2.3.4 and 2.3.5 and UNC section X2.3 }-

#### Box18

X2.10.9 Where a User has not provided the further, additional or revised Security in accordance with the Further Security Request by 12:00 hours on the 8th Business Day following:

- the date the Further Security Request was submitted; or
- where the User has given a notification under paragraph 2.10.4, the date the revised Further Security Request was submitted or the date the User was notified that the Further Security Request remains valid pursuant to paragraph 2.10.

National Grid NTS shall submit to the User a Failure to Supply Further Security Notice in a form set out in the Energy Balancing Credit Rules. Without prejudice to paragraph 1.2.5, National Grid NTS shall notify the Energy Balancing Credit Committee that such a notice has been issued.

#### 4.6 What Happens after an Appeal is Issued?

National Grid NTS will issue a “**Suspension Notice**” and respond to the appeal within 24 hours wherever possible, and issue a “**Notice of Outcome**” which may:

- Reissue the RPFS if National Grid NTS considers the appeal to be invalid,
- Issue a revised RPFS if National Grid NTS considers the appeal does not fully mitigate the RPFS,
- Issue a withdrawal if National Grid NTS considers the appeal to be fully valid.

**NB:** National Grid NTS may consult the EBCC if necessary to consider User appeals.  
**Reference Box18 above**

#### 4.7 Is There any Right of Appeal Against a Reissued or Revised RPFS?

There is no further right of appeal following the initial appeal against the RPFS.

#### Box19

X2.10.6 A User may not give a further notification under paragraph 2.10.3 to National Grid NTS in respect of a relevant Further Security Request (whether or not revised under paragraph 2.10.5).

#### 4.8 When Should a User Lodge the Revised or Reissued RPFS with National Grid NTS?

A User must lodge the revised or reissued Security with National Grid NTS by 12:00 hrs on the 8<sup>th</sup> Business Day following issue of the original RPFS.

#### **4.9 What Happens if a User Fails to Appeal or Lodge Security Within the Timescales?**

A Notice of Failure will be issued after 12:00 hrs on the 8<sup>th</sup> Business Day following issue of the RPFS. A copy of the Notice of Failure is issued to Ofgem. There is no right of appeal against such notice under UNC.

#### **4.10 What Happens after a Notice of Failure is issued?**

A User must lodge the Security referred to in the original RPFS, revised RPFS or reissued RPFS with National Grid NTS by 12:00 hrs on the Business Day following the date of issue of the Notice of Failure.

Box20

X2.10.10 Subject to paragraph 2.10.12, where the User has not provided the further, additional or revised Security in accordance with the Further Security Request by 12:00 hours on the Business Day following the date the Failure to Supply Further Security Notice was submitted and irrespective of the User's Outstanding Relevant Code Indebtedness as at any Day after the submission of the Further Security Request, National Grid NTS shall be entitled to, and as soon as reasonably practicable thereafter may, give Termination Notice to the User (for the purposes of [Section V4.3.3](#)) to the effect that the User shall cease to be a User with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice and National Grid NTS shall send a copy of any notice given under this paragraph 2.10.10 to the Authority.

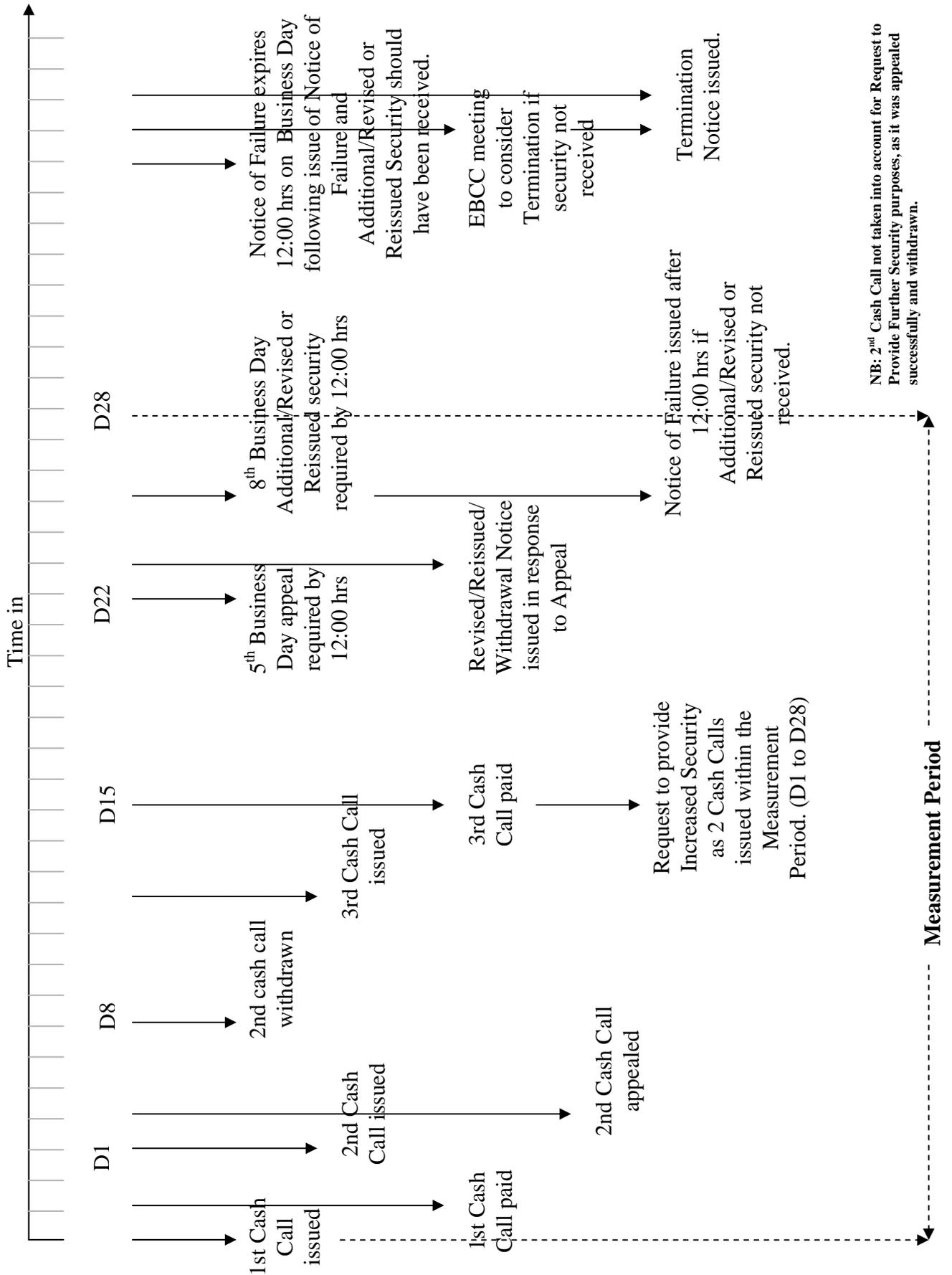
#### **4.10.1 What Happens if a User Fails to Lodge the Security Referred to in the Notice of Failure with National Grid NTS Within the Timescale?**

National Grid NTS shall convene an Operational EBCC Meeting to consider Termination of the User.

#### **NB: Upon the issue of a RPFS:**

- (1) National Grid NTS shall not be under any obligation to pay any credit invoices falling due to a User until the RPFS has been satisfied (i.e. Security lodged or RPFS successfully appealed and withdrawn);
- (2) Any credit invoice falling due will be paid into the User's Cash Call Account on their due date;
- (3) National Grid NTS shall not be liable to pay any interest if a credit invoice is subsequently paid to a User after its due date;
- 4) Security lodged in response to a RPFS must remain in place for no less than 90 days following the date of issue of the RPFS;

Illustrative example of Request to Provide Further Security following issue of two Cash Calls within a 28 day rolling period



**5. Special Conditions Relating to the Trading System Operator (Refer to Section X 2.11)**

Where the amount of the Trading System Operator's (TSO) Outstanding Relevant Balancing Indebtedness (RBI) exceeds 60% of its Secured Credit Limit (SCL), National Grid NTS shall convene a meeting of the Energy Balancing Credit Committee (EBCC).

The EBCC shall consider:

- (a) Delaying the issue of a Cash Call Notice to the Trading System Operator until the Trading System Operator's Outstanding Relevant Balancing Indebtedness exceeds such other amount as the EBCC approve (which amount may exceed 100% of the Trading System Operator's Secured Credit Limit).
- (b) Authorising National Grid NTS to withhold amounts payable to the Trading System Operator by National Grid NTS pursuant to the Energy Balancing Invoice until such time as the Trading System Operator's Outstanding Relevant Balancing Indebtedness no longer exceeds such amount as the EBCC have approved.
- (c) Authorising National Grid NTS to withhold the payment of interest to the Trading System Operate pursuant to section S of the Transportation Principal Document of the UNC
- (d) Authorising National Grid NTS to take such other steps as it considers to be reasonable.
- (e) Requiring the Trading System Operator to take such other steps as it considers to be reasonable.
- (f) Requiring National Grid NTS to provide such other information, data or trend analyses to the EBCC as it considers to be reasonable.
- (g) Requiring the Trading System Operator to provide such other information or data to the EBCC as it considers to be reasonable and
- (h) Requiring all data provided by the Trading System Operator to be subject to verification from independent audit. The scope of such audit is to be determined by the EBCC. The costs associated to such audit are to be borne to the Trading System Operator.

## 6. Payment of Energy Balancing Invoices

### 6.1 What Happens if a User Does not Pay an Invoice?

A Failure to Pay Notice (FTPN) will be issued on the next Business Day following the due date. This will request that the User settles the amount in full by the Business Day after issue. A copy of such notice will be issued to the Authority and all payments due to the User will be withheld. Late payment interest will not accrue and monies will be paid into the User's Cash Call Account.

Box21

X3.2.1 Where a User does not pay the Net Invoice Amount under an Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding [Section V4.3.1\(a\)](#) National Grid NTS shall be entitled to, and as soon as reasonably practicable after the Invoice Due Date will, submit to the User a notice, substantially in the form set out in the Energy Balancing Credit Rules, notifying the User that National Grid NTS will give Termination Notice to the User if the User does not pay the outstanding amount of the Net Invoice Amount in full by the Business Day after the date of such notice.

### 6.2 Can a User Withhold Against an Invoice?

No, a User may not withhold against an invoice. Payment must be made in full any query raised will be investigated and any overcharge refunded.

Box 22

X3.1 It is agreed that, notwithstanding [Section S4.2.2](#), Users shall pay the Net Invoice Amount under each Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding any Invoice Query (and accordingly that [Section S4.3](#) will apply in respect of any such Invoice Query).

### 6.3 What Happens if the User Does not Pay on the Business Day Following the issue of the FTPN?

An emergency meeting of the EBCC will be convened to determine whether or not a Termination Notice should be issued and the Authority notified.

Box 23

X3.2.2 Where National Grid NTS has given notice to a User under paragraph 3.2.1 and the User has not paid the outstanding amount of the Net Invoice Amount in full by the Business Day following the date of such notice, National Grid NTS shall be entitled to and, subject to paragraph 3.2.5, as soon as reasonably practicable after such Business Day may, give Termination Notice (for the purposes of [Section V4.3.3](#)) to the User to the effect that the User shall cease to be a User with effect from the date (which may be any date on or after the date on which the notice is given) specified in the notice..

## **7. Appointment of an Insolvency Practitioner (IP)**

### **7.1 What happens when an IP is appointed?**

Where an IP is appointed, they have two Business Days to provide an undertaking. Should the IP (as detailed in Section V4.3) fail to provide an undertaking within two Business Days of its appointment a meeting of the EBCC shall be convened to determine if a Termination Notice should be issued.

It is imperative that the Administrator contacts the Credit Risk Manager as soon as appointed. The Credit Risk Manager can be contacted on 0121 623 2437.

#### Box 24

X4.1 Subject to paragraph 4.2, where section V 4.3.4 applies, National Grid NTS shall as soon as reasonably practicable, give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date set out in the Termination Notice.

#### Box 25

X4.2 Before National Grid NTS shall take the action envisaged by paragraph 4.1, National Grid NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable following the failure of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate) to provide those assurances referred to in [Section V4.3.5\(b\)](#) and shall consult with the Energy Balancing Credit Committee to determine whether National Grid NTS should be obliged to issue the Termination Notice, pursuant to paragraph 4.1, or whether National Grid NTS should defer taking such step.

## **8. Conclusion & Contact Details**

After reading this document you should have a greater understanding of how we operate the Energy Balancing Credit Risk framework, on behalf of Users.

If you require further information please contact Mark Cockayne, Credit Risk Manager - Energy, at the address below:

Credit Risk Management, Energy  
National Grid Gas plc  
2nd Floor East  
31 Homer Rd  
Solihull  
West Midlands  
B91 3LT

Tel: (0121) 623 2437

**Appendix 1 Cash Call Notice (example)**

<b>User Name:</b>	[insert name]		
<b>For Gas flow day commencing 6:00 am</b>	[Insert date]	<b>Current Date:</b>	[insert date]
<b>Cash Call Limit:</b>	£x	<b>Cash Call Ref:</b>	[Insert reference]
<b>Outstanding Indebtedness</b>	£x		
<b>Cash Call Amount</b>	£x		

The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users maintain 'Outstanding Indebtedness' at a level below their 'Cash Call Limit'.

Your current level of Indebtedness is above your 'Cash Call Limit'.

This notice, issued in accordance with Section X 2.6 represents a request for you to pay the 'Cash Call Amount' into your Cash Call account [insert account details] in cleared funds by the [insert date]

If this requirement is not met you will be issued with a further notice. This Notice will give one Business Day to make payment, failing which, an EBCC meeting will be held to determine if a Termination Notice should be issued. Should the decision be made to issue a Termination Notice, your transportation arrangement will be Terminated with effect from the date specified in the Notice (which may be any date on or day after the date on which the notice is given). issue. After termination, we receive the right to pursue all outstanding monies in full, which may include, but is not limited to, seeking a winding up order.

National Grid will withhold any amounts owed to you in respect of any Energy Balancing Invoices and shall disregard any request made pursuant to section X 2.8.6 to refund any Cash Call monies held until this Cash Call Notice has been remedied.

The indicative calculations used in determining 'Outstanding Indebtedness' are detailed in the attached 'Daily Energy Imbalance Indebtedness Report'.

If you do not agree with the calculation of 'Outstanding Indebtedness' and you intend to appeal against this Cash Call, you should follow the procedure outlined in Section X 2.7.

Credit Risk Manager - Energy

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Appendix 2 Notice of Outcome of Cash Call Appeal (example)**

<b>User Name:</b>	[insert name]		
<b>For Gas flow day commencing 6:00 am:</b>	[insert date]	<b>Current Date:</b>	[insert date]
<b>Cash Call Limit:</b>	£x	<b>Cash Call Ref:</b>	[insert reference]
<b>Outstanding Indebtedness</b>	£x		
<b>Cash Call Amount</b>	£x		

The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users maintain 'Outstanding Indebtedness' at a level below their 'Cash Call Limit'.

Your current level of Indebtedness is above your 'Cash Call Limit'.

You were issued with a 'Cash Call Notice' on the [insert date] requesting payment of the 'Cash Call Amount' into your Cash Call bank account [insert bank details] in cleared funds to have been received by [insert date]

You have appealed against the Cash Call Notice in accordance with Section X 2.7. The effect of this action was to suspend the 'Cash Call Notice'.

In response to your appeal we have reviewed the calculations of your Indebtedness, and conclude that the initial calculations were correct/*incorrect and the Cash Call Amount has therefore been [amended/withdrawn].*

*[continue as appropriate] [Therefore this Notice represents a revised 'Cash Call Notice' demanding payment of the 'Cash Call Amount' into your Cash Call bank account [insert account details] in cleared funds to be received by [insert date]*

*If this requirement is not met you will be issued with a further notice. This Notice will give one Business Day to make payment failing which an EBCC meeting will be held to determine if a Termination Notice should be issued. Should the decision be made to issue a Termination Notice, your transportation arrangement will be Terminated with effect from the date specified in the Notice (which may be any date on or day after the date on which the notice is given). After Termination, we reserve the right to pursue all outstanding monies in full, which may include, but is not limited to, seeking a winding up order.*

*The indicative calculations used in determining 'Outstanding Indebtedness' are detailed in the attached 'Daily Energy Imbalance Indebtedness Report'.*

*The Uniform Network Code does not permit you to appeal the calculations of 'Outstanding Indebtedness' used in a 'Notice of Outcome of Cash Call Appeal'.*

Credit Risk Manager - Energy \_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Appendix 3 Notice of Failure to Pay Cash Call (example)**

<b>User Name:</b>	[insert name]		
<b>For Gas flow day commencing 6:00 am:</b>	[insert date]	<b>Current Date:</b>	[insert date]
<b>Cash Call Limit</b>	£x	<b>Cash Call Ref:</b>	
<b>Outstanding Indebtedness</b>	£x		
<b>Cash Call Amount</b>	£x		

The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users maintain 'Outstanding Indebtedness' at a level below their 'Cash Call Limit'.

Your current level of Indebtedness is above your 'Cash Call Limit'.

You were issued with a 'Cash Call Notice' on the [insert date] demanding payment of the 'Cash Call Amount' into your Cash Call bank account [insert bank details] in cleared funds by [insert date].

This amount has not been paid in accordance with the 'Cash Call Notice'.

Therefore this notice, issued in pursuance of section Section X 2.9 represents a final demand for immediate payment of the 'Cash Call Amount' in full in cleared funds into your Cash Call bank account [insert account details] immediately.

Unless and until you pay the Cash Call Amount to National Grid:

- You will not be entitled to make use of Contingency Balancing Arrangements
- National Grid will withhold any amounts owed to you in respect of Energy Balancing Invoices

If payment is not received, on the terms outlined above, by the [insert date] an EBCC meeting will be held to determine if a Termination Notice should be issued. Should the decision be made to issue a Termination Notice, your transportation arrangement under the Uniform Network Code will be Terminated with effect from the date specified in the Notice. (which may be any date on or day after the date on which the notice is given) issue. After termination we reserve the right to pursue all outstanding monies in full, which may include, but is not limited to seeking a winding up order.

The indicative calculations used in determining 'Outstanding Indebtedness' are detailed in the attached 'Daily Energy Imbalance Indebtedness Report'.

The Uniform Network Code does not permit you to appeal the calculations of 'Outstanding Indebtedness' used in this Notice.

A copy of this notice has been sent to Ofgem. Additionally, the EBCC will be informed that this Notice has been issued.

Credit Risk Manager - Energy \_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Appendix 4 Notice of Failure to Pay Energy Balancing Invoice (example)**

<b>User Name:</b>	[Insert name]
<b>Outstanding Monthly Invoice:</b>	[Insert date] <b>Current Date:</b> [insert date]
<b>Invoice Due Date:</b>	[Insert date]
<b>Invoice Amount:</b>	£x
<b>Cash Call Account Balance</b>	£x
<b>Net Invoice Amount:</b>	£x

The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users pay the 'Net Invoice Amount' under each Energy Balancing Invoice in full on the 'Invoice Due Date'. Payment is required notwithstanding any outstanding Invoice Query.

We have not received payment of your 'Net Invoice Amount' for the month of **[Insert date]**.

Therefore this notice, issued in accordance with Section X, 3.2 represents a final demand for immediate payment of the 'Net Invoice Amount' in full. These monies should be paid into the agreed bank account. [Insert account details] in cleared funds by [insert date]

Once we have received settlement of the invoice, you will be notified of the amount of interest owing in respect of late payment.

If payment in full is not received by [insert date] an EBCC meeting will be held to determine if a Termination Notice should be issued. Should the decision be made to issue a Termination Notice, your transportation arrangement will be Terminated with effect from the date specified in the Notice (which may be any date on or day after the date on which the notice is given) issue. After termination, we reserve the right to pursue all outstanding monies in full, which may include, but is not limited to seeking a winding up order.

A copy of this notice has been sent to Ofgem. Additionally, the EBCC will be informed that this Notice has been issued.

Credit Risk Manager - Energy

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

<b>Appendix 5 Daily Energy Balancing Indebtedness Report (example)</b>
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<b>User: ABC - ABC Energy Limited</b>	<b>As at Gas Day Commencing 6am DD/MM/YY</b>		
Description	Energy (kWh)	Rate (p/kWh)	Value
<b>PRI</b>			<b>£0</b>
<b>Flexibility</b>			
Payable to National Grid	0	0.0000	£0
Payable to User	0	0.0000	£0
			<b>£0</b>
<b>Imbalance</b>			
Daily Cashout Payable to National Grid	168,814,925	0.8126	£1,371,798
Daily Cashout Payable to User	2,514,909	0.5778	(£14,530)
			<b>£1,357,268</b>
<b>Scheduling</b>			
Entry Scheduling Charge	143,774,910	0.0366	£52,686
DMC Exit Scheduling Charge	0	0.0000	£0
DMA Exit Scheduling Charge	0	0.0000	£0
			<b>£52,686</b>
<b>INS</b>			
INS Charges			<b>£0</b>
<b>Cash Neutrality</b>			
Basic Balancing Neutrality	4,866,070,454	0.0078	<b>(£381,830)</b>
<b>Accrual Adjustments</b>			
Scheduling			£11,167
Imbalance			£254,162
Neutrality			£0
INS			£0
<b>Uninvoiced Indebtedness</b>			
Payable to National Grid			£1,689,813
Payable to User			(£396,360)
<b>Total Uninvoiced Indebtedness</b>			<b>£1,293,453</b>
<b>Invoiced Indebtedness</b>			
Outstanding Balancing Invoice Amount			£1,000
Outstanding Reconciliation Invoicing Amount			£2,000
Outstanding Adhoc Amount			£500
<b>Total Invoiced Indebtedness</b>			<b>£3,500</b>
<b>Outstanding Notices</b>			
ABC001			£1,000
<b>Total Outstanding Notices</b>			<b>£1,000</b>
-----			
Total Energy Balancing			£1,295,953
Cash Call Account Balance			£724
<b>Net Energy Balancing Indebtedness</b>			<b>£1,295,229</b>

<b>Cash Call Limit</b>	<b>£850,000</b>	<b>10% of Cash Call Limit</b>	<b>£85,000</b>
<b>Utilisation</b>	<b>152%</b>	<b>Cash Call Required</b>	<b>£531,000</b>

## Appendix 6 Proforma Irrevocable Standby Letter of Credit

To: National Grid Gas plc  
1-3 Strand  
London  
WC2N 5EH  
(Company Number 02006000)  
(**"National Grid"**)

Date: [.....]

- 1 For the purposes of this letter of credit number [ ]<sup>1</sup> (this **"Letter of Credit"**):
- (a) the following terms shall (subject to paragraphs (c) and (d) below) have the meaning given to them from time to time in the Uniform Network Code: **"Code"**, **"Energy Balancing Charges"**, **"LDZ"**, **"NTS"**, **"Transporters"** and **"Transporter's Licence"**;
  - (b) **"Uniform Network Code"** shall mean the document (as the same may be modified, varied or amended from time to time) prepared by the Transporters for the purposes of their Transporter's Licences;
  - (c) in the definitions **"Code"** and **"Transporter's Licence"**, "Transporter" shall mean National Grid Gas plc:
    - (i) in its capacity as the owner and operator of the NTS and licensee under its Transporter's Licence authorising the conveyance of gas through the NTS; and
    - (ii) in its capacity as the owner and operator of one or more LDZ(s) and licensee under its Transporter's Licence authorising the conveyance of gas through such LDZ(s); and
  - (d) the term **"Energy Balancing Charges"** includes not only Energy Balancing Charges as defined in and for which the User is liable pursuant to the Code but also Energy Balancing Charges as defined in and for which the User is liable pursuant to the network code of National Grid as it existed prior to 1 May 2005.
- 2 We, by this Letter of Credit, establish in your favour our irrevocable standby letter of credit for the account of [ ], a company incorporated in [ ] with registered number [ ] whose registered office is at [ ]<sup>2</sup> (the **"User"**). This Letter of Credit is issued in connection with the User's energy balancing indebtedness (being all that indebtedness of the User to National Grid from time to time under, pursuant to, or in respect of, Energy Balancing Charges, irrespective of whether such indebtedness arose prior to, on, or subsequent to the date hereof and/or prior to, on, or subsequent to the Effective Date) (the **"Energy Balancing Indebtedness"**).
- 3 We understand that the User may from time to time request you to agree to amendments to, or other variations or extensions of, the terms of its Energy Balancing Indebtedness and that the Code may from time to time be modified, varied or amended. Our obligations under this Letter of Credit, as set out herein, will apply notwithstanding any such modifications, amendments, variations or extensions or the termination of the User as a User under the Code provided that:
- (a) our maximum liability to you under this Letter of Credit shall not exceed [£ ..... ]<sup>3</sup> and

<sup>1</sup> Insert number.

<sup>2</sup> Insert full name, company number, country of incorporation and registered address of User

<sup>3</sup> Insert maximum amount payable under this Letter of Credit

- (b) we shall not be required to pay claims made by you under this Letter of Credit which are received by us after the Expiry Date.
- 4 We shall make payments to you under this Letter of Credit on your written demand for payment provided such demand is presented to us at [.....]<sup>4</sup> accompanied by your certificate that the User has failed to honour, in whole or in part, its Energy Balancing Indebtedness and the amount of your demand under this Letter of Credit is not greater than the total amount of sums then due and payable to you by the User pursuant to such indebtedness. For the avoidance of doubt it is acknowledged that:
- (a) you may demand payment hereunder on any number of occasions but subject to clause 3(a) above; and
- (b) any demand hereunder may be lawfully made by you or any person on your behalf.
- 5 This Letter of Credit will become effective on [.....]<sup>5</sup> (the “**Effective Date**”) and will expire on [.....]<sup>6</sup> (the “**Expiry Date**”) and the demand(s) and certificate(s) referred to in paragraph 4 of this Letter of Credit must be presented to us on or before the Expiry Date. We undertake that all demands made in accordance with this Letter of Credit will be met with due honour.
- 6 This Letter of Credit is a transaction separate from any other on which it may be based.
- 7 This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 revision) International Chamber of Commerce Publication No. 600, and, to the extent not inconsistent therewith, shall be governed by and construed in accordance with English Law. In the event of any dispute relating to this Letter of Credit, we hereby agree to submit to the exclusive jurisdiction of the Courts of England.
- 8 All payments by us under this Letter of Credit shall be made in full, without set-off or counterclaim and, save as provided below, free and clear of any deductions or withholdings in immediately available, freely transferable, cleared funds for value on the date specified in your demand to the account notified by you to us. If at any time we are required by law to make any deduction or withholding in respect of any taxes, duties or other charges or withholdings from any payment due under this Letter of Credit, the sum due from us in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, you receive on the due date and retain (free of any liability in respect of such deduction or withholding) a net sum equal to the sum which you would have received had no such deduction or withholding been required to be made.

Signed by [.....] as a duly authorised signatory for and on behalf of [.....]<sup>7</sup>

Signed by [.....] as a duly authorised signatory for and on behalf of [.....]<sup>8</sup>

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<sup>4</sup>Insert address of U.K. bank to which demands under this Letter of Credit are to be sent

<sup>5</sup> Insert effective date

<sup>6</sup>Insert date when this Letter of Credit expires (N.B. You must have alternative security in place before such expiry).

<sup>7</sup> Insert name of U.K. Bank providing this Letter of Credit

<sup>8</sup> Insert name of U.K. Bank providing this Letter of Credit

<b>Appendix 7 Proforma Multiple User Letter of Credit</b>
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To: National Grid Gas plc  
1-3 Strand  
London  
WC2N 5EH  
Company No 2006000  
("National Grid")

Date: [.....]

- 1 For the purposes of this letter of credit number [ ]<sup>9</sup> (this "**Letter of Credit**"):
- (a) the following terms shall (subject to paragraphs (c) and (d) below) have the meaning given to them from time to time in the Uniform Network Code: "**Code**", "**Energy Balancing Charges**", "**LDZ**", "**NTS**", "**Transporters**" and "**Transporter's Licence**";
  - (b) "**Uniform Network Code**" shall mean the document (as the same may be modified, varied or amended from time to time) prepared by the Transporters for the purposes of their Transporter's Licences;
  - (c) in the definitions "**Code**" and "**Transporter's Licence**", "Transporter" shall mean National Grid Gas plc:
    - (i) in its capacity as the owner and operator of the NTS and licensee under its Transporter's Licence authorising the conveyance of gas through the NTS; and
    - (ii) in its capacity as the owner and operator of one or more LDZ(s) and licensee under its Transporter's Licence authorising the conveyance of gas through such LDZ(s); and
  - (d) the term "**Energy Balancing Charges**" includes not only Energy Balancing Charges as defined in and for which a User is liable pursuant to the Code but also Energy Balancing Charges as defined in and for which a User is liable pursuant to the network code of National Grid as it existed prior to 1 May 2005.
- 2 We, by this Letter of Credit, establish in your favour our irrevocable standby letter of credit for the account of [**User #1**], a company incorporated in [ ] with registered number [ ] whose registered office is at [ ], [**User #2**], a company incorporated in [ ] with registered number [ ] whose registered office is at [ ] and [**User #3**], a company incorporated in [ ] with registered number [ ] whose registered office is at [ ]<sup>10</sup>, (each being a "**User**" and together the "**Users**"). This Letter of Credit is issued in connection with the Users' energy balancing indebtedness (being all that indebtedness of the Users to National Grid from time to time under, pursuant to, or in respect of, Energy Balancing Charges, irrespective of whether such indebtedness arose prior to, on, or subsequent to the date hereof and/or prior to, on, or subsequent to the Effective Date) ("**Energy Balancing Indebtedness**").
- 3 We understand that any or all of the Users may from time to time request you to agree to amendments to, or other variations or extensions of, the terms of its Energy Balancing Indebtedness and that the Code may from time to time be modified, varied or amended. Our obligations under this Letter of Credit, as set out herein, will apply

<sup>9</sup> Insert number.

<sup>10</sup> Insert full name, company number, country of incorporation and registered address of each User

notwithstanding any such modifications, amendments, variations or extensions or the termination of any or all of the Users as a User (in this context, as defined in the Code) under the Code, provided that:

- (a) our maximum liability to you under this Letter of Credit shall not exceed [£ ..... ]<sup>11</sup> and
  - (b) we shall not be required to pay claims made by you under this Letter of Credit which are received by us after the Expiry Date.
- 4 We shall make payments to you under this Letter of Credit on your written demand for payment provided such demand is presented to us at [.....]<sup>12</sup> accompanied by your certificate that any of the Users has failed to honour, in whole or in part, its Energy Balancing Indebtedness and the amount of your demand under this Letter of Credit is not greater than the Aggregate amount of all sums then due and payable to you by the Users pursuant to such indebtedness. For the avoidance of doubt it is acknowledged that:
- (a) you may demand payment hereunder on any number of occasions but subject to clause 3(a) above; and
  - (b) any demand hereunder may be lawfully made by you or any person on your behalf.
- 5 This Letter of Credit will become effective on [ ..... ]<sup>13</sup> (the “**Effective Date**”) and will expire on [.....]<sup>14</sup> (the “**Expiry Date**”) and the demand(s) and certificate(s) referred to in paragraph 4 of this Letter of Credit must be presented to us on or before the Expiry Date. We undertake that all demands made in accordance with this Letter of Credit will be met with due honour.
- 6 This Letter of Credit is a transaction separate from any other on which it may be based.
- 7 This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (2007 revision) International Chamber of Commerce Publication No. 600, and, to the extent not inconsistent therewith, shall be governed by and construed in accordance with English Law. In the event of any dispute relating to this Letter of Credit, we hereby agree to submit to the exclusive jurisdiction of the Courts of England.
- 8 All payments by us under this Letter of Credit shall be made in full, without set-off or counterclaim and, save as provided below, free and clear of any deductions or withholdings in immediately available, freely transferable, cleared funds for value on the date specified in your demand to the account notified by you to us. If at any time we are required by law to make any deduction or withholding in respect of any taxes, duties or other charges or withholdings from any payment due under this Letter of Credit, the sum due from us in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, you receive on the due date and retain (free of any liability in respect of such deduction or withholding) a net sum equal to the sum which you would have received had no such deduction or withholding been required to be made.

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<sup>11</sup>Insert maximum amount payable under this Letter of Credit

<sup>12</sup>Insert address of U.K. bank to which demands under this Letter of Credit are to be sent

<sup>13</sup> Insert effective date

<sup>14</sup>Insert date when this Letter of Credit expires (N.B. You must have alternative security in place before such expiry).

Signed by [.....] as a duly authorised signatory for and on behalf of [.....]<sup>15</sup>

Signed by [.....] as a duly authorised signatory for and on behalf of [.....]<sup>16</sup>

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<sup>15</sup> Insert name of U.K. Bank providing this Letter of Credit

<sup>16</sup> Insert name of U.K. Bank providing this Letter of Credit

**Appendix 8 Multiple User Letter of Credit Side Letter**

[Multiple User Letter to National Grid Gas plc - Energy Balancing Letter of Credit]

To: National Grid Gas plc  
1-3 Strand  
London  
WC2N 5EH  
Company No: 2006000  
(**"National Grid"**)

Date

Dear Sirs

**Letter of Credit dated [insert date] granted by [ ] in favour of National Grid (the "Letter of Credit")**

We refer to the Letter of Credit described above which relates to the liabilities of **[insert details of all Users]** (each a **"User"** and together the **"Users"**).

For the purposes of this letter:

- (a) **"Uniform Network Code"** shall mean the document (as the same may be modified, varied or amended from time to time) prepared by the Transporters for the purposes of their Transporter's Licences;
- (b) the terms **"Code"**, **"Secured Credit Limit"**, **"User Default"**, **"LDZ"**, **"NTS"**, **"Transporter"**, **"Termination Notice"** and **"Transporter's Licence"**, shall (subject to paragraph (c) below) have the meanings given to them from time to time in the Uniform Network Code; and
- (c) in the definitions **"Code"** and **"Transporter's Licence"**, "Transporter" shall mean National Grid Gas plc:
  - (i) in its capacity as the owner and operator of the NTS and licensee under its Transporter's Licence authorising the conveyance of gas through the NTS; and
  - (ii) in its capacity as the owner and operator of one or more LDZ(s) and licensee under its Transporter's Licence authorising the conveyance of gas through such LDZ(s).

In consideration of your agreeing to accept one letter of credit in respect of the Secured Credit Limits of all of the Users, we have agreed to enter into this letter and to be bound by its terms.

We acknowledge that:

- (a) **pursuant to the Code, each User has currently been allocated a Secured Credit Limit, as set out below:**

[User 1] Secured Credit Limit: £[ ]  
[User 2] Secured Credit Limit: £[ ]  
[User 3] Secured Credit Limit: £[ ]

- (b) the total of the Users' individual Secured Credit Limits is currently £[ ]; and

- (c) the Secured Credit Limit of each User may be altered as provided for in the Code at any time (whether before or after any demand referred to in paragraph number 1 below of this letter). Any such alteration shall not affect the provisions of this letter.

We are writing to acknowledge and confirm our agreement with the following:

1. If a demand is made by National Grid under the Letter of Credit in relation to the liabilities of any one or more of the Users to National Grid, National Grid will, where practicable, discuss with each of the other User(s) whether any of the Secured Credit Limits of the other User(s) need to be adjusted. If the amount demanded is a sum greater than the then Secured Credit Limit of the User(s) in relation to which the demand is made, National Grid will (whether or not it has been able to discuss the same with such other User(s)) be entitled to reduce the Secured Credit Limit(s) of any one or more of the other User(s) as it thinks fit. Any such reduction(s):
  - (a) shall take effect immediately on determination of such reduction by National Grid without the need under the Code or otherwise for any notice or specified amount of notice to the relevant User(s) (and the Users hereby waive any right to any such notice);
  - (b) shall take effect notwithstanding that it may result in National Grid being able to give a Termination Notice to any one or more of the Users and/or cause a User Default to occur in relation to any one or more of the Users.
2. National Grid will notify a User as soon as reasonably practicable of any reduction in its Secured Credit Limit pursuant to paragraph number 1 of this letter.
3. For the avoidance of doubt:
  - (a) in making any reduction in any Secured Credit Limit(s) pursuant to paragraph number 1 of this letter, National Grid owes no duty to any User(s) to make such reduction proportionately or equitably or on any particular basis between any User(s) but shall be entitled to determine the Secured Credit Limit of each particular User as it in its absolute discretion thinks fit; and
  - (b) if subsequent to any reduction in its Secured Credit Limit under paragraph number 1 of this letter any User wishes to increase its Secured Credit Limit it shall only be entitled to do so as provided for in the Code.
4. Each of the Users hereby authorises National Grid to disclose any information it may have in relation to any User (including without limitation its Secured Credit Limit and/ or any actual or proposed security or other arrangements and any proposed change in its Secured Credit Limit whether under this letter or otherwise) to any of the other Users. For the avoidance of doubt, nothing in this letter shall oblige National Grid to disclose any such information.
5. We acknowledge and agree that the rights of and protections afforded to National Grid pursuant to this letter may be exercised and claimed by National Grid and by any person authorised by National Grid.
6. This letter is and is intended to be legally binding and is subject to the laws of England.

Please sign and return to us the enclosed copy to acknowledge your receipt of this letter and confirm your acceptance of its terms.

Yours faithfully

for and on behalf of  
[User 1]

for and on behalf of  
[User 2]

for and on behalf of  
[User 3]

-on duplicate-

We acknowledge receipt of the letter from [Users] dated [ ] (of which the above is a copy) and confirm our acceptance of its terms.

Yours faithfully

for and on behalf of  
National Grid Gas plc

**Appendix 9 Proforma Deposit Deed**

DATED [            ] 20[   ]

**ENERGY BALANCING**

**DEPOSIT DEED**

between

[            ]

and

**NATIONAL GRID GAS PLC**



- (f) the term “**Energy Balancing Charges**” includes not only Energy Balancing Charges as defined in and for which the User is liable pursuant to the Code but also Energy Balancing Charges as defined in and for which the User is liable pursuant to the network code of National Grid as it existed prior to 1 May 2005.
- 2.1 In consideration of National Grid agreeing to permit the User to incur (or, as the case may be, to continue to incur) Energy Balancing Indebtedness the User agrees to enter into this Deed and to be bound by the terms hereof.
- 2.2 The User has paid (or will, on the date hereof, pay) the sum of [ ] pounds sterling (£[ ]) <sup>19</sup> (the “**Initial Deposit**”) into such [separately designated] deposit account opened at [Barclays] Bank plc as is specified by National Grid that is from time to time held in National Grid’s name or in the name of its nominee (or any replacement or substitute account specified by National Grid) (the “**Account**”).
- 3 All sums from time to time standing to the credit of the Account shall be known as the “**Deposit**” for the purposes of this Deed.
- 4.1 The User charges with full title guarantee all its interest (both present and future) in the Deposit by way of first fixed charge to National Grid as a continuing security for:
- (a) the due payment of its Energy Balancing Indebtedness and the due performance and observance of its obligations under this Deed;
  - (b) all losses or damage which National Grid may incur or suffer by reason of any breach of any of the obligations of the User under this Deed including, without limitation, the amount of any legal or other costs incurred by National Grid as a result of non-payment of amounts payable or other sums or expense on a full indemnity basis; and
  - (c) the amount of any Value Added Tax that National Grid is liable to pay in consequence of the receipt of any part of the Deposit.
- 4.2 National Grid shall, if possible, register the charge under this Deed at the Companies Registry pursuant to section 395 Companies Act 1985.
- 4.3 The User shall, at its own cost, execute any document and take any action National Grid reasonably specifies in order to perfect the security referred to in Clause 4.1.
- 5.1 Neither the Deposit nor any part of it shall constitute a debt owed by National Grid to the User and the User shall not deal with the Deposit or any part thereof (whether by way of assignment, charge or otherwise) or be entitled to require repayment of the Deposit until any of the events set out in Clause 5.2 below have occurred.
- 5.2 The events referred to in Clause 5.1 above are:
- (a) the User both ceases to be a User for the purposes of the Code and has no present or future, actual or contingent liability to National Grid in respect of Energy Balancing Indebtedness or otherwise (it being acknowledged that the termination of the User as a User under the Code shall not prejudice National Grid’s rights under this Deed);

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<sup>19</sup> Insert amount of Initial Deposit

- (b) the User provides any other security, acceptable to National Grid, in respect of the User's Energy Balancing Indebtedness;
  - (c) any request from the User for a release of this Deposit Deed in accordance with the provisions of the Code and satisfaction of the conditions for such release.
- 5.3 For the avoidance of doubt the parties agree that the amount of the Deposit and the Secured Credit Limit may be changed from time to time in accordance with the provisions of the Energy Balancing Credit Rules.
- 6.1 Without prejudice to any other right or remedy which National Grid may have under this Deed, the Code or otherwise, National Grid shall be entitled to withdraw from the Account (thereby reducing the amount of the Deposit) at any time and from time to time the sums specified below which shall become the absolute property of National Grid:
  - (a) the amount of any sum which has become due for payment pursuant to an Energy Balancing Invoice;
  - (b) the amount of any loss or damage suffered by National Grid as the result of any breach of any obligation on the part of the User under this Deed including without limitation the amount of any legal or other costs incurred by National Grid as a result of non-payment of amounts payable or other sums or expense on a full indemnity basis;
  - (c) the amount of any Value Added Tax that National Grid is liable to pay in consequence of the receipt of any part of the Deposit.
- 6.2 National Grid shall notify the User in writing within 14 days of any withdrawal pursuant to Clause 6.1.
- 6.3 The User shall immediately, following such notification referred to in Clause 6.2 above, pay into the Account an amount equivalent to any amount withdrawn pursuant to Clause 6.1, and any further amounts required from time to time to ensure that the total standing to the credit of the Account is at all times no less than the Initial Deposit.
- 7.1 Subject to Clause 7.2, the User may (not more than once in any 6 month period) request National Grid to pay to the User any interest (subject to any deduction of tax as required by law and less any charges incurred in relation to the Account) earned on the amount of the Deposit and paid into the Account (but for the avoidance of doubt National Grid shall be under no obligation to obtain any minimum level of interest and shall not be required to determine the nature of the Account based on the interest rate applicable to it).
- 7.2 If any sums are outstanding from the User to National Grid pursuant to this Deed and/or there are outstanding from the User to National Grid any sums of the kind referred to in Clause 6.1 above, National Grid may, instead of paying such of the interest due to the User as is equivalent to the amount outstanding, retain the whole or any part of such sum as an addition to the Deposit and/or apply the whole or any part of such sum in whole or partial discharge (as the case may be) of such outstanding amount and pay the balance of such interest (if any) to the User.
- 8 National Grid will, if so required in writing by the User, advise the User of the then amount of the Deposit as soon as reasonably practicable after receipt of such request (provided that no more than one such request may be made in any calendar month).

- 9 Nothing in this Deed shall require National Grid to satisfy any liability of the User out of the Deposit and unless and until National Grid exercises its right to apply the Deposit against any such liability, neither the existence of the Deposit nor the availability of National Grid's rights under this Deed shall have the effect of discharging any liability of the User or of preventing National Grid from enforcing any such liability (or any other security which it may hold for, or any other rights it may have in respect of, any such liability) in any manner it thinks fit.
- 10.1 The existence of the Deposit shall not:
- (a) prejudice National Grid's ability to proceed against the User for any breach of any Energy Balancing Indebtedness or any other breach of any other obligation under the Code;
  - (b) entitle the User to withhold any monies or fail to satisfy any Energy Balancing Indebtedness; or
  - (c) be regarded as an advance or deemed payment of any Energy Balancing Indebtedness.
- 10.2 No failure or delay by National Grid in exercising any power, right or remedy under this Deed or at law shall operate as a waiver of it nor shall any single or partial exercise or waiver of any such power right or remedy preclude its further exercise or the exercise of any other power, right or remedy.
- 11.1 This Deed shall:
- (a) be in addition to any present or future Collateral Instrument, right or remedy held by or available to National Grid; and
  - (b) not be in any way prejudiced or affected by:
    - (i) the existence of any Collateral Instrument, rights or remedies; or
    - (ii) any Collateral Instrument becoming wholly or in part void, voidable or unenforceable on any ground; or
    - (iii) National Grid dealing with, exchanging, varying or failing to perfect or enforce any Collateral Instrument; or
    - (iv) National Grid giving time for payment or indulgence or compounding with any person liable under a Collateral Instrument.
- 11.2 National Grid shall not be obliged to make any claim or demand on the User or to resort to any Collateral Instrument or other means of payment now or in future held by or available to it before enforcing this Deed.
- 11.3 National Grid shall not be obliged to apply any money or other property received or recovered in consequence of any enforcement or realisation of any Collateral Instrument or other payment in reduction of the Energy Balancing Indebtedness.
- 11.4 No action taken or omitted by National Grid in connection with any Collateral Instrument or the Code or other payment or any variation, modification, amendment, supplement, novation or replacement of any Collateral Instrument or the Code shall discharge, reduce, prejudice or affect the liabilities or liability of the User under this Deed.

- 11.5 For the purposes of this Clause 11, "**Collateral Instrument**" means notes, bills of exchange, certificates of deposit and other negotiable and non-negotiable instruments, guarantees, letters of credit, deposit agreements, indemnities and other assurances against financial loss, and any other documents or instruments which contain or evidence an obligation (with or without security) to pay, discharge or be responsible directly or indirectly for, any indebtedness or liabilities of the User, and includes any document or instrument creating or evidencing an encumbrance, however defined and includes, without limitation, escrow agreements.
- 12 The User may not assign or transfer any of its rights or obligations under this Deed. National Grid may only assign its rights under this Deed to a person in favour of whom an assignment has been made in respect of the benefit of the Energy Balancing Indebtedness.
- 13.1 National Grid's rights under this Deed are cumulative and not exclusive of any rights provided by law and may be exercised from time to time and as often as National Grid deems expedient.
- 13.2 National Grid's rights under this Deed may be exercised by National Grid or by any other person authorised by National Grid.
- 14 Subject always to the provisions of Clause 13.2, a person who is not a party to this Deed (including any employee, officer, agent, representative or sub-contractor of any party) shall not have the right to enforce any term of this Deed which expressly or by implication confers a benefit on that person without the express prior agreement in writing of the User and National Grid, which agreement must refer to this Clause.
- 15 Each of the provisions of this Deed is severable and distinct from the others. If at any time one or more of such provisions is or becomes invalid illegal or unenforceable the validity legality or enforceability of the remaining provisions of this Deed shall not in any way be affected or impaired.
- 16 Any notices to be served under this Deed shall be served in accordance with paragraph 5, Section B (headed "Notices and Communications") of the General Terms of the Uniform Network Code.
- 17.1 This Deed shall be governed by and construed in accordance with English Law.
- 17.2 Subject to Clauses 17.4 and 17.5, the courts of England have exclusive jurisdiction to settle any disputes arising out of or connected with this Deed (including a dispute regarding the existence validity or termination of this Deed or the consequences of its nullity) (a "**Dispute**").
- 17.3 Subject to Clauses 17.4 and 17.5, the parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes between them and accordingly that they will not argue to the contrary.
- 17.4 This Clause 17 is for the benefit of National Grid only. As a result and notwithstanding Clauses 17.2 and 17.3, it does not prevent National Grid from:
- 17.4.1 taking proceedings relating to a Dispute in any other courts (and the User waives any objection to proceedings in such courts on the grounds of venue or on the grounds that proceedings have been brought in an inappropriate forum);  
or



<b>Appendix 10</b>	<b>Notice to Provide Further Security (example)</b>
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User Name:	[insert name]		
Current Cash Call Limit	£x	Current Date:	[insert date]
Current Security Amount	£x	Ref:	[insert ref]
Further Security Requested	£x		

**The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users maintain “Outstanding Indebtedness” at a level below their “Cash Call Limit”.**

Your recent level of Indebtedness has been above your “Cash Call Limit” which has resulted in 2 Cash Calls being issued during the Measurement Period [insert date] to [insert date] This, Notice, issued in pursuance of Section X 2.10 represents a request for you to provide further security to the value of £[insert amount] in cleared funds by 12:00 hrs on [insert date]

National Grid will withhold any amounts owed to you in respect of any Energy Balancing Invoices and shall disregard any request made pursuant to section 2.8.6 to refund any Cash Call monies held until this notice has been remedied.

**If this requirement is not met you will be issued with a further notice. This will state that if your further security has not been received by the Business Day following this notice an EBCC meeting will be held to determine if a Termination Notice should be issued. Should the decision be made to issue a Termination Notice, your transportation arrangement will be Terminated with effect from the date (Which may be any date on or day after the date on which the notice is given) specified in the Notice issue. After termination we reserve the right to pursue all outstanding monies in full in which may include, but is not limited to seeking a winding up order.**

If you intend to appeal against this Notice, you should follow the procedure outlined in Section X 2.10.

Credit Risk Manager - Energy \_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

<b>Appendix 11 Suspension of Notice to Provide Further Security Pending Outcome of Appeal (example)</b>
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User Name:	[insert name]		
Current Cash Call Limit	£x	Current Date:	[Insert date]
Current Security Amount	£x	Ref:	[insert ref]
Further Security Requested	£x		

**The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users maintain “Outstanding Indebtedness” at a level below their “Cash Call Limit”.**

Your recent level of Indebtedness has been above your “Cash Call Limit”.

You were issued with a “Notice to Provide Further Security” requesting that you provide further security of £[insert amount] in cleared funds by the [Insert date]

You have appealed against the “Notice to Provide Further Security” in pursuance of Section X 2.10. This Notice represents suspension of the “Notice to Provide Further Security” pending the outcome of the appeal.

Credit Risk Manager - Energy \_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Appendix 12 Notice of Outcome of Appeal Against Notice to Provide Further Security (Revised) (example)**

User Name:	[insert name]		
Current Cash Call Limit:	£x	Current Date:	[insert date]
Current Security Amount:	£x	Ref:	[insert ref]
Further Security Requested:	£x		
Revised Further Security Requested:	£x		

**The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users maintain “Outstanding Indebtedness” at a level below their “Cash Call Limit”.**

Your recent level of Indebtedness has been above your “Cash Call Limit”.

You were issued with a “Notice to Provide Further Security” on [insert date] requesting you to provide further security of [insert amount] in cleared funds by [insert date]

You have appealed against the “Notice to Provide Further Security” in accordance with Section X 2.10. The effect of this was to suspend the “Notice to Provide Further Security”.

In response to your appeal, we have revised the Notice to Provide Further Security.

This Notice, represents the revised “Notice to Provide Further Security” such that we require the revised further security of [insert amount] in cleared funds by [insert date].

National Grid will withhold any amounts owed to you in respect of any Energy Balancing Invoices and shall disregard any request made to refund any Cash Call monies held until this Notice has been remedied.

**If this requirement is not met you will be issued with a further Notice. This will state that if the revised further security is not received by the Business Day following the date of this notice an EBCC meeting will be held to determine if a Termination Notice should be issued. Should the decision be made to issue a Termination Notice, your transportation arrangement will be Terminated with effect from the date (Which may be any date on or day after the date on which the notice is given) specified in the Notice issue, After termination we reserve the right to pursue all outstanding monies in full, which may include, but is not limited to seeking a winding up order.**

The Uniform Network Code does not permit you to appeal the Revised Further Security Amount used in a “Notice of Outcome of Appeal against Notice to Provide Further Security”.

Credit Risk Manager - Energy

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Appendix 13 Notice of Outcome of Appeal Against Notice to Provide Further Security (Reissued) (example)**

User Name:	[Insert Name]		
Current Cash Call Limit:	£x	Current Date:	[Insert Date]
Current Security Amount:	£x	Ref:	[Insert Ref]
Further Security Requested:	£x		
Reissued Further Security Requested:	£x		

**The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users maintain “Outstanding Indebtedness” at a level below their “Cash Call Limit”.**

Your recent level of Indebtedness has been above your “Cash Call Limit”.

You were issued with a “Notice to Provide Further Security” on [insert date] requesting you to provide further security of [insert amount] in cleared funds by [insert date]

You have appealed against the “Notice to Provide Further Security” in accordance with Section X 2.10. The effect of this was to suspend the “Notice to Provide Further Security”.

In response to your appeal, we have revised the Notice to Provide Further Security.

This Notice represents the revised “Notice to Provide Further Security” and we require the reissued further security of [insert amount] in cleared funds by [insert date]

National Grid will withhold any amounts owed to you in respect of any Energy Balancing Invoices and shall disregard any request made to refund any Cash Call monies held until this notice has been remedied.

**If this requirement is not met you will be issued with a further notice . This will state that if the revised further security is not received by the Business Day following the date of this notice an EBCC meeting will be held to determine if a Termination Notice should be issued. Should the decision be made to issue a Termination Notice, your transportation arrangement with effect from the date (Which may be any date on or day after the date on which the notice is given) specified in the Notice.~~issue.~~ After termination we reserve the right to pursue all outstanding monies in full, which may include, but is not limited to seeking a winding up order.**

The Uniform Network Code does not permit you to appeal the Reissued Further Security Amount used in a “Notice of Outcome of Appeal against Notice to Provide Further Security”.

Credit Risk Manager - Energy \_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

<p><b>Appendix 14 Notice of Outcome of Appeal Against Notice to Provide Further Security (Withdrawn) (example)</b></p>
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User Name:	[insert name]		
	£x	Current Date:	[Insert date]
Current Cash Call Limit:	£x	Ref:	
Current Security Amount	£x		
Further Security Requested	£x		

**The Uniform Network Code Section X [Energy Balancing Credit Management] requires that Users maintain Outstanding Indebtedness at a level below their Cash Call Limit.**

Your recent level of Indebtedness has been above your Cash Call Limit.

You were issued with a “Notice to Provide Further Security” requesting that you provide further security of [Insert amount] in cleared funds by [insert date].

In accordance with Section X 2.10, you have appealed against the “Notice to Provide Further Security”. The effect of this action being the suspension of the “Notice to Provide Further Security”.

In response to your appeal, and in pursuance of section 2.10 of Section X, we have concluded that the calculations which resulted in the “Notice to Provide Further Security” being issued were incorrect and the “Notice to Provide Further Security” has therefore been withdrawn.

Credit Risk Manager - Energy \_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Appendix 15 Notice of Failure To Provide Further Security (example)**

User Name:	[Insert Name]		
Current Cash Call Limit	£x	Current Date:	[Insert Date]
Current Security Amount	£x	Ref:	[Insert Ref]
Further Security Requested	£x		

**The Uniform Network Code Section X: Energy Balancing Credit Management requires that Users maintain “Outstanding Indebtedness” at a level below their “Cash Call Limit”.**

Your recent level of Indebtedness has been above your “Cash Call Limit”.

You were issued with a “Notice to Provide Further Security” on [insert date] requesting you provide further security of [insert amount] in cleared funds by 12:00 hrs on [insert date].

The further security requested has not been received in accordance with the “Notice to Provide Further Security”.

This Notice, of Failure to Provide Further represents a final demand to provide further security of [Insert Amount] in cleared funds by 12:00 hrs on [insert date]

**If the further security requested is not received, to the terms outlined above, an EBCC meeting will be held to determine if a Termination Notice should be issued. Should the decision be made to issue a Termination Notice, your transportation arrangement will be Terminated with effect from the date (Which may be any date on or day after the date on which the notice is given) specified in the Notice issue. After termination we reserve the right to pursue all outstanding monies in full, which may include, but is not limited to seeking a winding up order.**

The Uniform Network Code does not permit you to appeal the calculations used in a “Notice of Failure to Provide Further Security”.

A copy of this notice has been sent to Ofgem, Additionally, the EBCC will be informed that this Notice has been issued..

Credit Risk Manager - Energy \_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## Modification History

Mods implemented that have impacted on Section X – Energy Balancing Supplement

<b>Mod No</b>	<b>Title</b>
0073	Drafting Anomaly – Calculation of indebtedness
0103	Removal of Secured Credit Limit
0313	Modification of the Energy Balancing regime
0474	Revision to indebtedness Cash Call trigger
0475	Termination of User in Receivership
0521	Where a Guarantor is downgraded to any speculative rating, removal of the notice period required for the revision of a User's Secured Credit Limit and Code Credit Limit.
0525	Termination of User who seeks or becomes subject to the appointment of an administrator, liquidator, conservator, trustee or similar official for it or for all or substantially all of its assets.
0572	The provision of Letters of Credit for Energy Balancing credit cover.
0580	Responsibilities following the appointment of a Supplier of Last Resort.
0609	Changes to Energy Balancing credit arrangements for the Trading System Operator
0629	Minimum level of security for Energy Balancing
0665	Revision to the management of Cash Call Accounts (User in default)
0666	Revision to the management of Cash Call Accounts (Breach of Security Limit)
0685	Amendments to Provisions for the Calculation of Relevant Balancing Indebtedness of a Trading System Operator
0686	Amendment to Pre Termination Processes and Associated EBCC Referrals
0737	Failure to Pay Cash Call Notices (reduced timescales)

## UNC Modifications

026	Application of Charges consistent with Late Payment of Commercial Debts (interest) Act 1998
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- 103 Introduction of the right for the Energy Balancing Credit Committee to instruct National Grid NTS as to appropriate Recovery Steps in respect of Energy Balancing debt
- 125 Introduction of new balancing neutrality charge for cost of residual balancer collateral on the OCM
- 143 Failure to Pay Further Security Requests and Failure to Pay Energy Balancing Invoices (reduced timescales).
- 0234 To Correct Drafting (Inconsistencies between Section X and V of the UNC in Respect of User Default and Termination)

Document Control**Version History**

<b>Version</b>	<b>Status</b>	<b>Date</b>	<b>Author(s)</b>	<b>Summary of Changes</b>
3.7	Draft	18/04/2008	L.O'Shaughnessy	Amended version 3.6 Approved as per changes agreed at the EBCC Meeting on 18 <sup>th</sup> April 2008
3.7	For review	16/5/2008	L.O'Shaughnessy	Amended version 3.7FR as agreed at the EBCC Meeting on 18 <sup>th</sup> July 2008 All updates as per Review & Approval Form Version 3.7FA dated 29.07.08
3.7	For Approval	29.7.08	L.O'Shaughnessy	All updates approved at EBCC Meeting held on 18 <sup>th</sup> July
3.7	Approved	6.8.08	L.O'Shaughnessy	Issued to members via Joint Office Website and email.
3.8	Draft	13/10/08	S. Dworkin	Amended version 3.8 draft as per changes agreed at the EBCC Meeting on 10/10/08.
3.8.2	Final Approved	14/10/08	S Dworkin	Majority approval received 14/10/08
3.8.3	For Approval	30/01/09	S.Dworkin	Update Section 2.93, 2.10.10 and 3.2.2 as per Mod 234 Inconsistencies between drafting of Section X and V of UNC
3.9	For Review & Approval	16.01.09	L. O'Shaughnessy	Amended V3.8.3 Approved to include revisions to Section 2.2 with inclusion of Rating Comparison Table and Q&A. Section 4.2 How is Further Security Calculated inclusion of spaces and coma to formula. Appendix 7 Proforma Multiple User Letter of Credit. Paragraph 5 'this letter of credit must be presented to us on or before expiry date. Delete 'by you' Section 4.5 add 'Calendar' days to make it more explicit.
3.9V2	Final Approved	12.2.09	L. O'Shaughnessy	Majority approval received 12/2/09 to take immediate effect.
<u>3.10v1</u>	<u>Draft</u>	<u>14.4.09</u>	<u>L.O'Shaughnessy</u>	<u>Further explanation required in section 4 around Further Security Requests in respect of 90 days holding as per section X2.3.4 and X2.3.5. In addition amendments to Appendices in accordance to changes from Mod 234 as follows:- change to date (Which may be any date on or after the date on which the notice is given) specified in the Notice.</u>

<a href="#">3.10V1</a>	<a href="#">Approved</a>	<a href="#">17.4.09</a>	<a href="#">L.O'Shaughnessy</a>	<a href="#">All above amendments (V3.10 DraftV1) approved at the EBCC meeting held on 17/4/09 Operational meeting. To be published on Joint Office Webside UNC related documents.</a>
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### Reviewers

Name	Reviewer Organisation Unit	Approved by
<del>Carl Wilkes</del> <del>Brett Date</del>	<del>RWE</del> <del>Statoil</del> <del>Hydro</del>	<del>Approved</del>
<del>Simon Howe</del>	<del>RWE</del> <del>npower</del>	<del>Approved</del>
Julie McNay	SSE	Approved
Richard Fairholme	E.ON UK	Approved
Gary Russell	Corona <del>Energy</del>	<del>Approved</del>
Gavin Ferguson	Accord Energy	Approved
<del>John Bradley</del> <del>Lorraine McGregor</del>	<del>Joint Office Chair (non Voting)</del> <del>Scottish Power</del>	<del>Approved</del>
<del>Sandra Dworkin</del> <del>Ed McDonald</del>	<del>Credit Risk Officer – xoserve (non voting)</del> <del>Scottish Power</del>	<del>Approved</del>
<del>John Bradley</del>	<del>Joint Office Chair</del>	<del>Approved</del>
<del>Sandra Dworkin</del>	<del>Credit Risk Officer – xoserve</del>	<del>Approved</del>

### Management Approval

Name	Role	Business Area
Mark Cockayne	Credit Risk Manager	Service Delivery xoserve