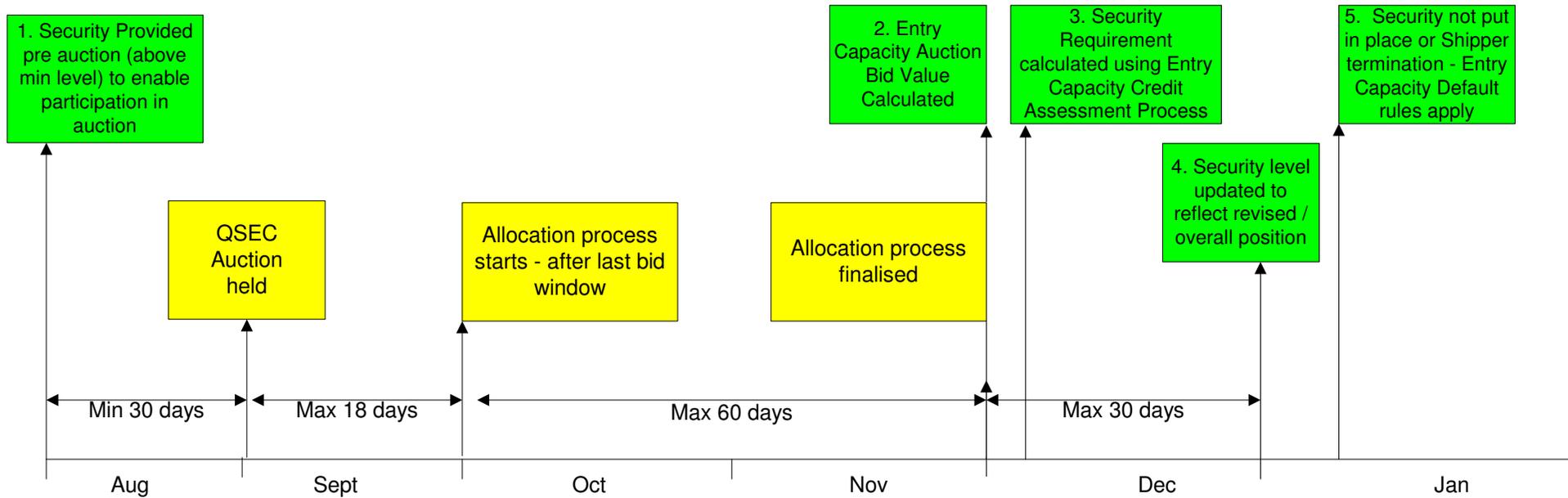


# UNC Modification Reference Number 0221

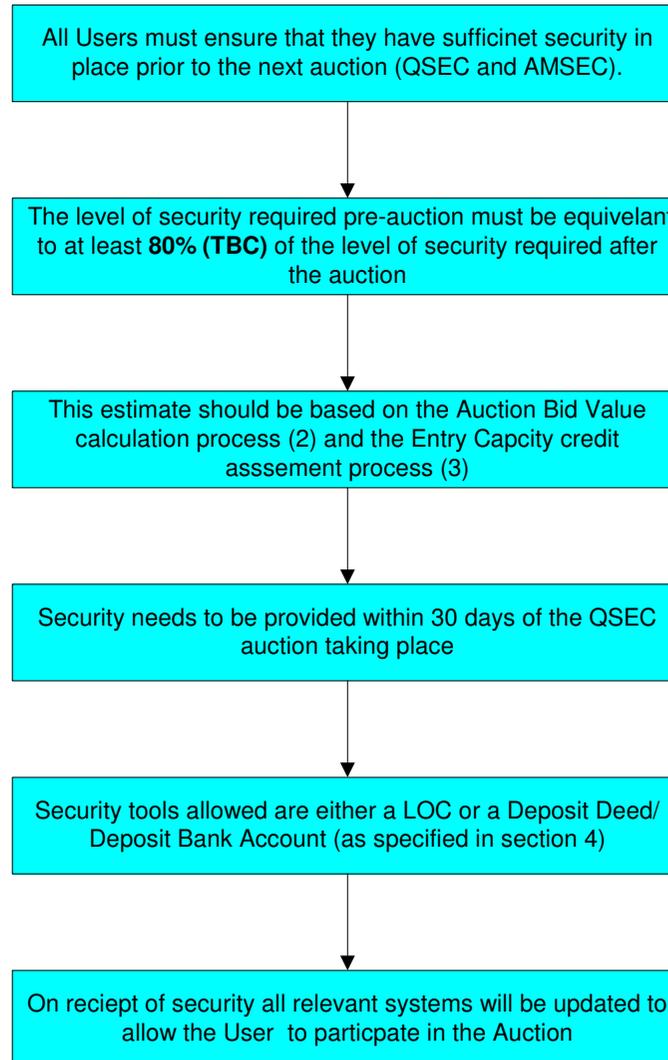
## Entry Capacity and the Appropriate Allocation of Financial Risk

### Strawman Modification Proposal

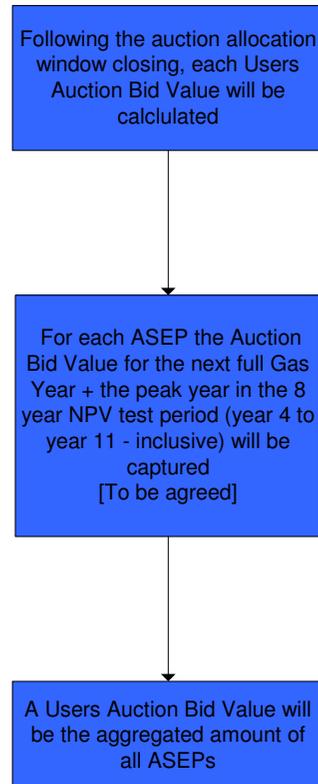
#### Process Flow diagram



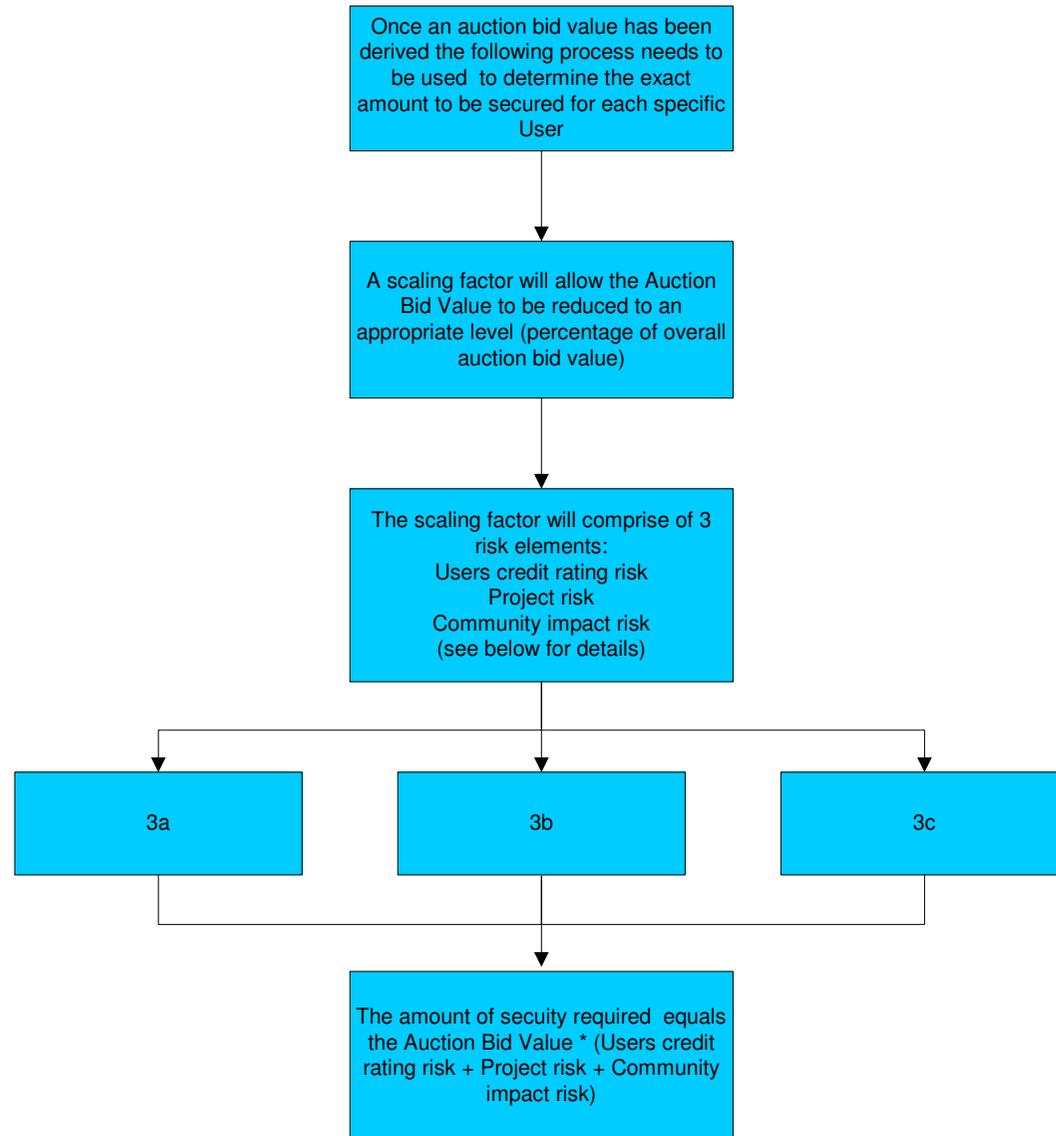
## 1. Security Provided pre-auction (above min level) to enable participation in auction



## 2. Entry Capacity Auction Bid Value Calculated



### 3. Security Requirement calculated using Entry Capacity Risk Assessment Process



### 3a. Security Requirement calculated using Entry Capacity Risk Assessment Process

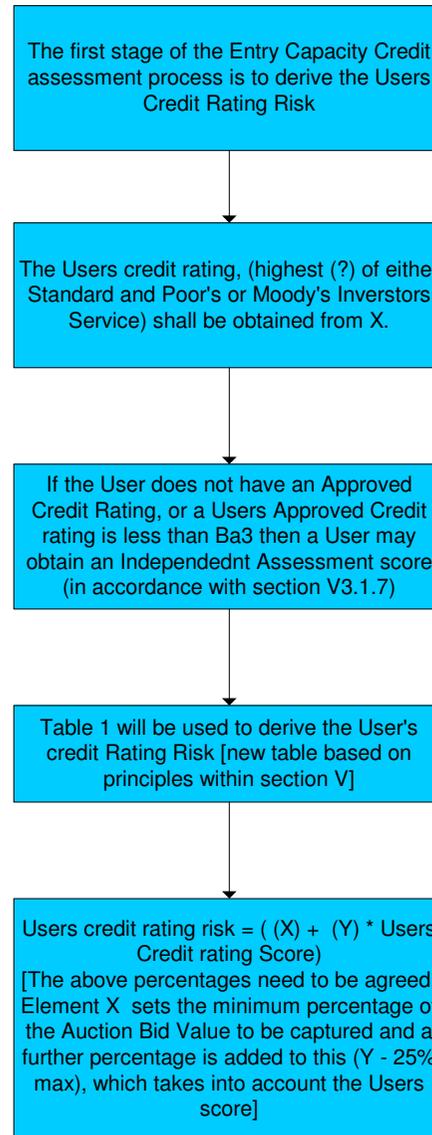
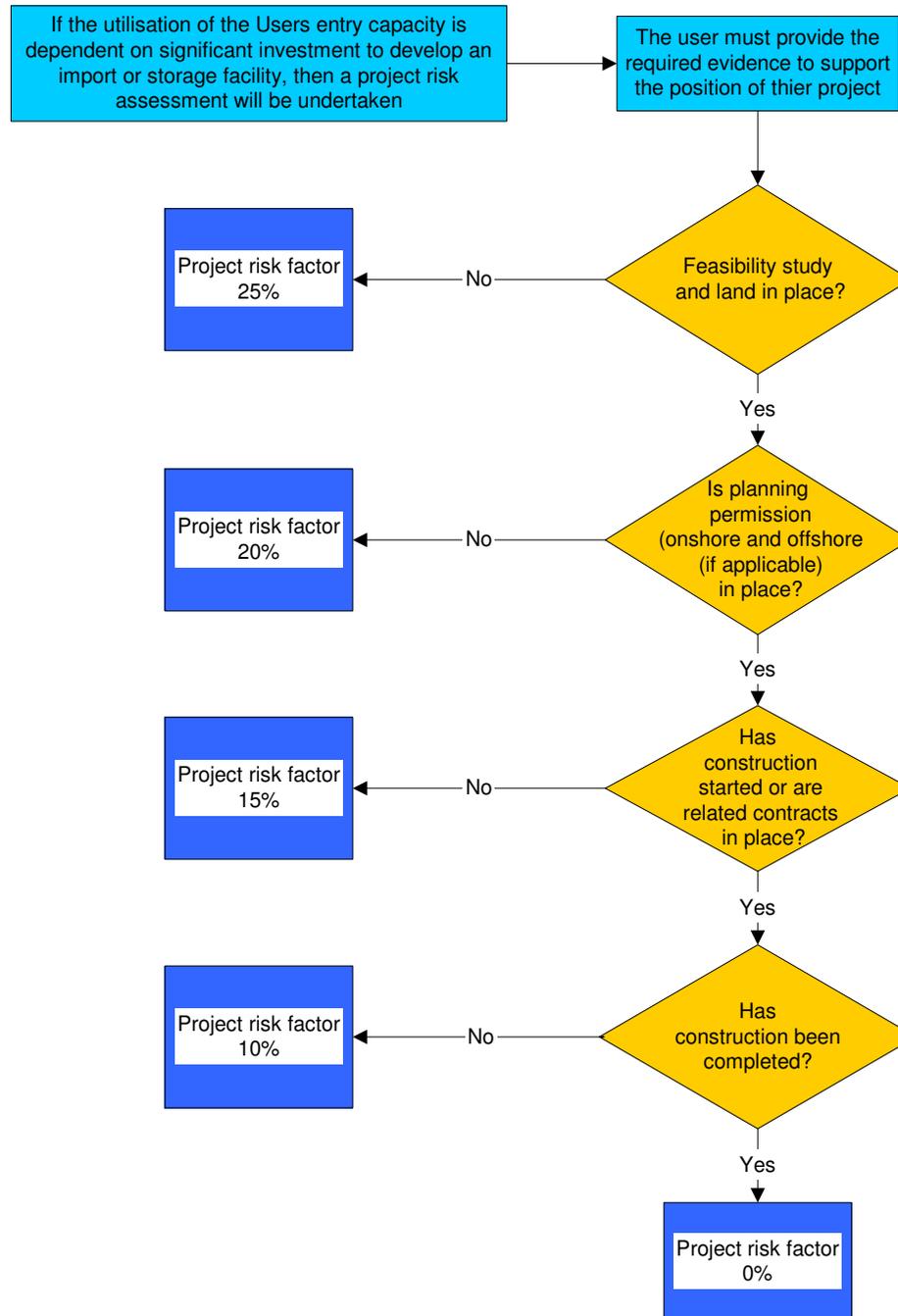


Table 1

Standard and Poor's	Moody's Investors Service	Independent Assessment Score	Users Credit Rating Score (%)
AAA/AA	Aaa/Aa		0
A	A		60
BBB+	Baa1	10	80
BBB	Baa2	9	81
BBB-	Baa3	8	82
BB+	Ba1	7	83
BB	Ba2	6	84
BB-	Ba3	5	85
		4	86.5
		3	90
		2	93.33
		1	96.5
No credit rating	No credit rating	0	100

### 3b. Security Requirement calculated using Entry Capacity Risk Assessment Process



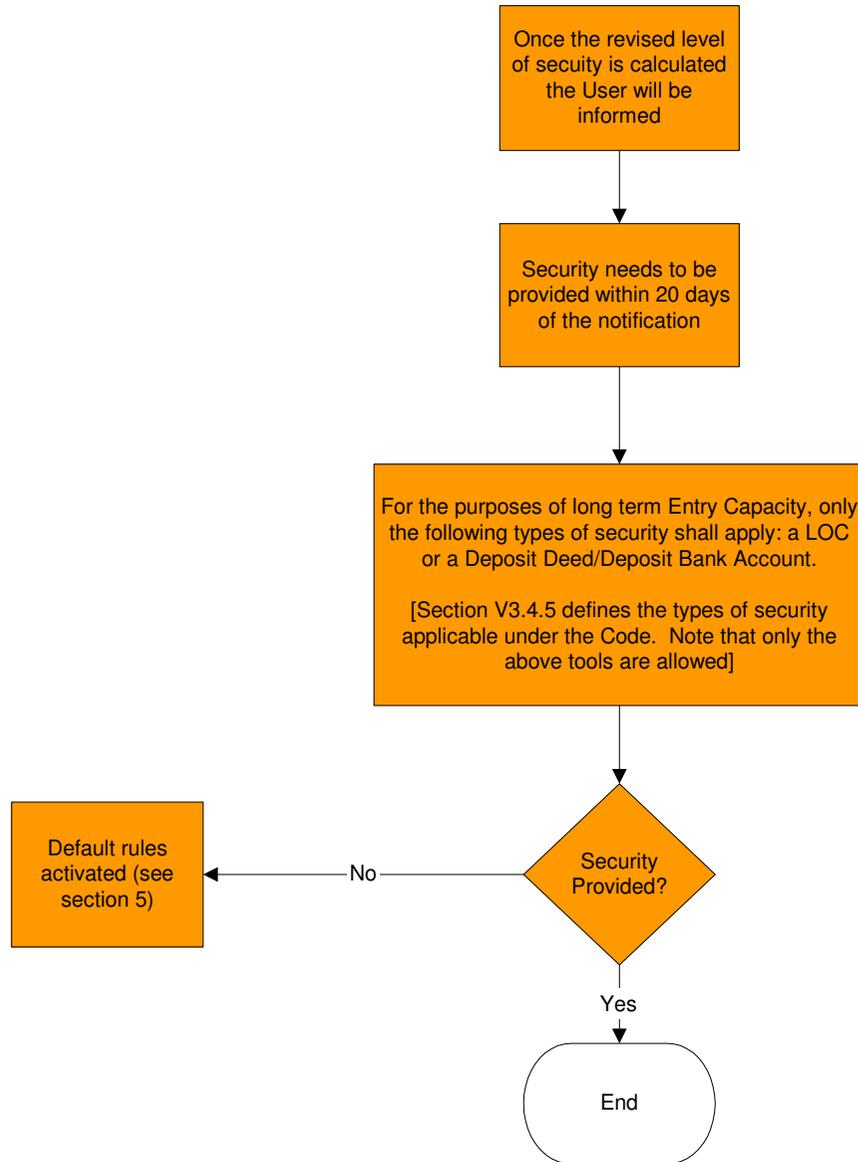
### 3c. Security Requirement calculated using Entry Capacity Risk Assessment Process

The risk to the community can be measured by the proportion of the revised auction bid value (after the auction) against the User holding prior to the auction



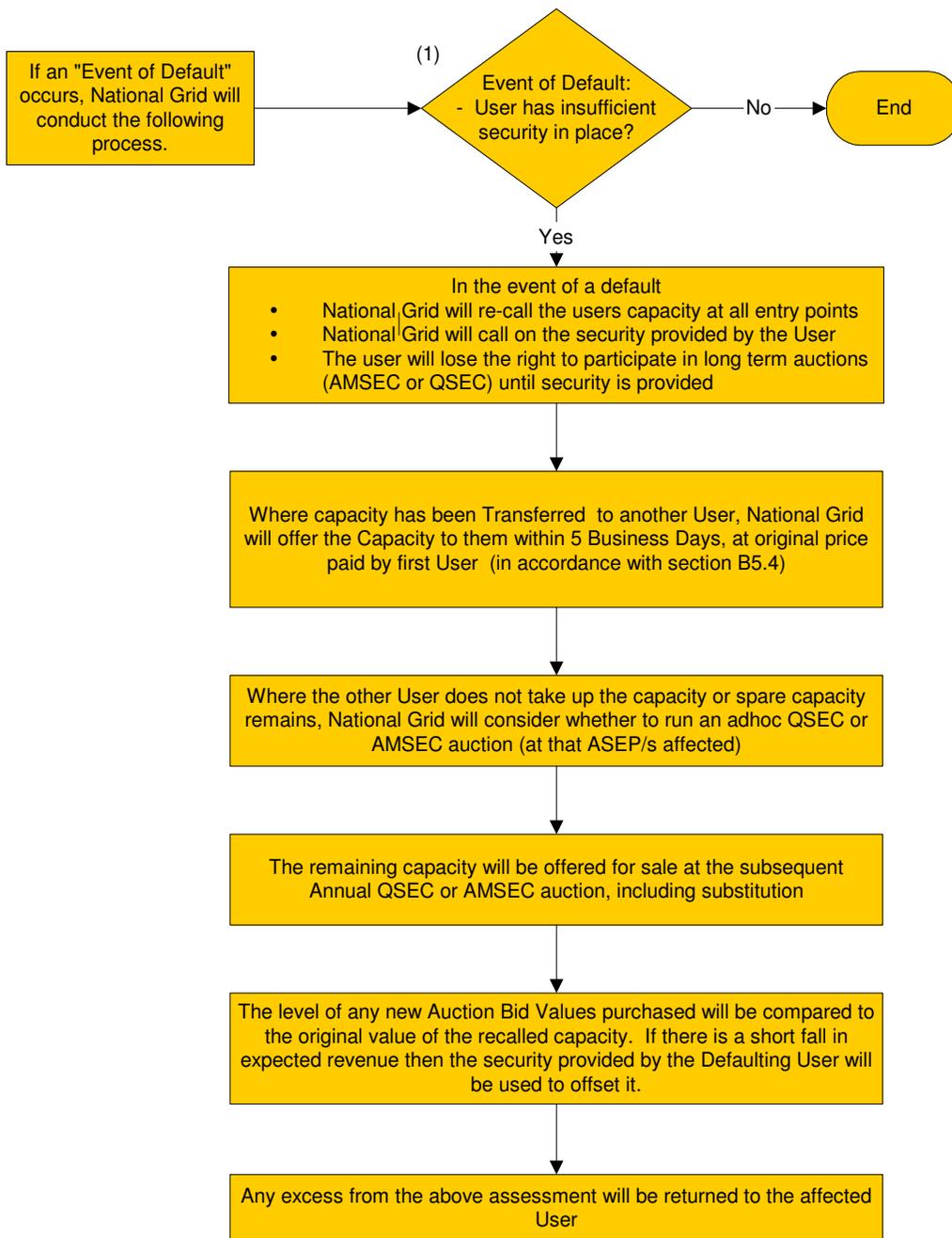
The Community Impact risk is calculated by the following formula:  
Community Impact risk = (Z) \* (1- revised auction bid value / existing User holding)  
Element Z sets the maximum percentage of the Auction Bid Value to be captured by the Community Impact risk. [The above percentage needs to be agreed].

#### 4. Security level updated to reflect revised /overall position



## 5. Entry Capacity Default Rules

### Long Term - new proposal



### Short Term - Existing Arrangements

