

Mod 246 suggested legal text 01.05.09

Section B

Insert new paragraphs 2.1.15 and 2.1.16 to read as follows:

- 2.1.15 Where at any time in any Capacity Year (Y), a QSEC Credit Default occurs in relation to a User:
- (a) the User's Registered Quarterly Firm NTS Entry Capacity in respect of all calendar quarters in Capacity Years Y+2 to Y+16, and in respect of all Aggregate System Entry Points shall automatically be cancelled, and the User shall cease to be registered as holding such Quarterly Firm NTS Entry Capacity, with effect from the QSEC Credit Default;
 - (b) the User will not be entitled to apply (pursuant to any provision of this Section B2) for, or acquire by System Capacity Transfer, NTS Entry Capacity in respect of any period at any Aggregate System Entry Point until the Day following the expiry of the next annual invitation period following such QSEC Credit Default; and any such application or transfer will be rejected;
 - (c) paragraph 5.4 will apply in relation to any System Capacity Transfer (for which the User was Transferor User) in respect of Registered Quarterly Firm NTS Entry Capacity cancelled pursuant to paragraph (a), as if the User had ceased to be a User of the NTS (for which purposes references to the User Discontinuance Date shall be construed as references to the date of the QSEC Credit Default).
- 2.1.16 Upon a QSEC Credit Default in relation to a User, or the giving of a Termination Notice to the User, the User shall pay to National Grid NTS, in respect of the cancellation of its Registered Quarterly Firm NTS Entry Capacity, an amount ("**QSEC Cancellation Amount**") equal to the User QSEC Security Amount; and such amount shall be invoiced and is payable in accordance with Section S.

Amend paragraphs 2.2.3, 2.2.11, 2.2.15 to read as follows:

- 2.2.3 National Grid NTS's annual invitations under paragraph 2.2.2 will specify:
- (a) the dates (on which applications pursuant to the annual invitation may be made), which for the purposes of:
 - (i) paragraph 2.2.2(a), shall be four dates (each of which shall be a Business Day) on which applications pursuant to such annual invitation may be made; the period between each such date shall not be less than two Business Days; and
 - (ii) paragraph 2.2.2(b) shall be eight (8) Business Days being every other Business Day in a period of fifteen (15) ~~ten (10)~~ consecutive Business Days ("**annual invitation period**")
- (each such date an "**annual**" invitation date);
- 2.2.11 National Grid NTS shall reject a capacity bid submitted on an annual invitation date ~~where~~:
- (a) where the requirement in paragraph 2.2.10 is not complied with;
 - (b) where any requirement of paragraphs 2.2.6 or 2.2.7 is not complied with;
 - (c) in accordance with paragraph 2.1.15(b), 2.2.15(b) or 2.2.16(a);

and National Grid NTS may reject a capacity bid in accordance with Section V3.2.

- 2.2.15(a) Where at 17:00 hours on the first Business Day of a calendar month in relation to a User the sum of:
- (i) the aggregate NTS Entry Capacity Charges payable by the User in respect of its Registered Quarterly Firm NTS Entry Capacity for each Day in the twelve (12) calendar months commencing from the first Day of the following calendar month ("**relevant months**"); and
 - (ii) the User's Relevant Code Indebtedness at such time
- exceeds 85% of its Code Credit Limit National Grid NTS shall not later than five (5) Business Days after the first Business Day of the calendar month inform the User.
- (b) Following a notice under paragraph 2.2.15(a), in the event the User does not within ten (10) Business Days of such notice provide adequate surety or security (in accordance with Section V3.4.5), National Grid NTS will reject any capacity bids submitted by the User for Quarterly NTS Entry Capacity on any subsequent annual invitation date until such time as the circumstance in paragraph 2.2.15 no longer applies. ~~the User's Registered Quarterly Firm NTS Entry Capacity for each of the relevant calendar quarters will lapse and the User will cease to be treated as holding the Registered Quarterly Firm NTS Entry Capacity.~~

Insert new paragraph 2.2.16 to read as follows:

- 2.2.16(a) National Grid NTS will reject any capacity bids submitted by a User for Quarterly NTS Entry Capacity in an annual invitation:
- (i) in relation to a particular annual invitation date where (for that annual invitation date) the User's Bid-Adjusted UQSA exceeds the User's Bid-available QSEC Security (as provided in Section V3.5.7); or
 - (ii) where (as at an annual invitation date) National Grid NTS has given a notice to the User under Section V3.5.5 and the User has not taken the steps required under Section V3.5.6.
- (b) For the purposes of paragraph 2.2.16(a), in relation to any annual invitation date under such annual invitation:
- (i) a User's "**Bid-Adjusted UQSA**" is the amount of its UQSA (in accordance with Section V3.5.2) determined on the basis that in determining the User's Allocated QSEC Value in accordance with paragraph 3.5.2(a), for each Aggregate System Entry Point and for each calendar quarter, the term 'CC' includes the maximum amounts that would be payable by the User by way of NTS Entry Capacity Charges if any of its quarterly capacity bids made for that annual invitation date were allocated;
 - (ii) a User's "**Bid-available QSEC Security**" is the amount of the User's QSEC Security (in accordance with Section V3.5.2) determined as at the date fourteen (14) days before the first annual invitation date, subject to paragraph 2.2.16(c).
- (c) Where a User provides or increases the amount of its QSEC Security with effect after the date referred to in paragraph 2.2.16(b)(ii) and before the Business Day preceding an annual invitation date, National Grid NTS will endeavour to take account of such QSEC Security in determining the Bid-Available QSEC Security applicable as at that annual invitation date, but is not obliged to do so.

Amend paragraph 2.18 to read as follows:

- (d) National Grid NTS's annual invitation under paragraph 2.2.18 (c) will specify:
 - (i) the date(s) on which applications ("**initial applications**") pursuant to the first annual invitation may be made, which shall be eight (8) Business Days being every other Business Day in a period of fifteen (15) ~~ten (10)~~ consecutive Business Days, (each such date an "**initial**" annual invitation date);
 - (ii) the date(s) on which further applications ("**secondary applications**") pursuant to the first annual invitation may be made, which shall be eight (8) Business Days being every other Business Day in a period of fifteen (15) ~~ten (10)~~ consecutive Business Days, (each such date a "**secondary**" annual invitation date);
- (g) For the avoidance of doubt, and without prejudice to the further provisions of this paragraph 2.2.18, in relation to a first annual invitation:
 - (i) paragraphs 2.2 5, 2.2 6, 2.2 8, 2.2 10, 2.2 11, ~~and 2.2 12~~, 2.2.15 and 2.2.16 shall apply;

Amend paragraph 2.14.1 to read as follows:

2.14.1 In respect of each annual invitation pursuant to paragraph 2.2.2(b), National Grid NTS will by not later than 20:00 hours on the Business Day following each invitation date (under paragraph 2.2.3(b) notify Users, in respect of each Aggregate System Entry Point and each relevant long term period, of the cumulative amounts of Quarterly NTS Entry Capacity in relation to which Users have in aggregate submitted Quarterly capacity bids at each price step on such and earlier annual invitation dates for each relevant Capacity Year.

Section V

Insert new paragraph 3.5 to read as follows:

3.5 QSEC Security

3.5.1 The requirements of this paragraph 3.5 apply to Shipper Users in addition to and separately from those of paragraph 3.3.

3.5.2 For the purposes of the Code, in relation to a User, at any time in any Capacity Year (Y):

(a) the "**Allocated QSEC Value**" (AQV) is the amount determined at such time as follows:

$$AQV = \sum_Q \sum_{ASEP} CC$$

where

\sum_Q is the sum over all calendar quarters in each of Capacity Years Y+2 to Y+16 inclusive;

\sum_{ASEP} is the sum over all Aggregate System Entry Points;

CC is the amount (including Value Added Tax at the rate prevailing at such time) payable by the User by way of NTS Entry Capacity Charges in respect of its Registered Quarterly Firm NTS Entry Capacity in respect of an Aggregate System Entry Point and all months in a calendar quarter;

(c) the "**User QSEC Security Amount**" (UQSA) is the amount determined at such time as follows

$$UQSA = 0.1 * AQV;$$

(d) "**QSEC Security**" means the security provided by the User pursuant to paragraph 3.5.4, and a reference to the amount of a User's QSEC Security is to the value (determined in accordance with paragraph 3.4.6) of such security.

3.5.3 For the purposes of this paragraph 3.5, paragraphs 3.4.1, 3.4.2, 3.4.3, 3.4.4, 3.4.5 (so far as relevant) and 3.4.6 (so far as relating to value of security) shall apply (as if, in paragraph 3.4.4, the reference to a User's Value at Risk and Code Credit Limit were to its User QSEC Security Amount and the amount of its QSEC Security respectively).

3.5.4 For the purposes of this paragraph 3.5, a User may provide security (in respect of its contingent payment obligation under Section B2.1.15(b)) by way of Deposit Deed or Letter of Credit, provided that such security shall be separate from and in addition to any security provided by the User for the purposes provided in paragraph 3.4.6.

3.5.5 If at any time:

(a) the amount of a User's QSEC Security is less than the User's User Security Amount;

(b) the remaining period of validity of any QSEC Security is less than 30 days and the User has not replaced or extended such QSEC Security with effect no later than the expiry of such period of validity; or

(c) in the case of a Letter of Credit, the long term debt rating of the issuing bank falls below the level required under the definition thereof in paragraph 3.4.5;

then National Grid NTS may give notice to that effect to the User.

- 3.5.6 Following a notice under paragraph 3.5.5, in the event that the User does not within ten (10) Business Days after such notice provide additional or replacement (as the case may be) QSEC Security so that the circumstance in paragraph 3.5.5 no longer applies, then with effect on and from the expiry of such ten (10) Business Day period, the User is in "**QSEC Security Default**".
- 3.5.7 Where, upon a User's QSEC Credit Default or the giving of a Termination Notice, a User becomes liable for a QSEC Cancellation Amount under Section B2.1.15(b), National Grid NTS may immediately and without notice to the User enforce the User's QSEC Security (by taking any available measures to call or otherwise enforce such security) and apply the amounts thereby realised in or towards payment of the QSEC Cancellation Amount.