

Initial Modification Report No.22

Introduction of Monthly Credit Monitoring Processes

23rd March 2026

Please find below Initial Modification Report No.22 to the NI Network Gas Transmission Code raised by the Transporter, as required under sections A2 and A3 of the Code Modification Rules.

A Description of the nature and purpose of the modification

This proposal is being made to introduce a new monthly monitoring process for Shipper credit positions and to make associated process changes in relation to the PRISMA IP Capacity platform and Reconciliation Payments.

Increased use of short term capacity products and greater gas price volatility have given rise to increasing misalignment between the annual credit requirements under the NI Network Gas Transmission Code ('the Code') and the profile of Shipper credit risk through the year. Some Shippers have requested to reduce their placed credit during the Gas Year. This is already permitted but has highlighted that the Code text could provide more granularity on this, as well as credit for Reconciliation Payments. During the last Gas Year, there was also a need for the Transporter to update a Shipper's credit position on the PRISMA platform during the year for the first time.

The Transporter has always monitored Shipper's credit positions during the Gas Year but considers that a formal monthly process is now required. This will provide greater clarity over within year credit requirements and enable the Transporter to update PRISMA as a matter of routine, to ensure that Shippers are not unduly prevented from accessing IP Entry Capacity.

The Proposed Modification updates the credit provisions in the Code to make them clearer and more flexible for Shippers, whilst maintaining the 80% credit cover requirement.

Further detail is provided in section G below.

B How the modification better facilitates the relevant objective

The Relevant Objective (condition 2.4 of the Transporter Licences) will be better facilitated by the NI Network Gas Transmission Code as a result of the proposed changes. This change will support the economic and efficient operation of the network by improving the clarity of the credit arrangements in the NI Network Gas Transmission Code, ensuring Shippers are able to manage their credit flexibly and as efficiently as possible, whilst maintaining the Shipper community protection that the credit rules provide.

C The clauses of the NI Network Gas Transmission Code that require amendment

This proposal will amend Section 18: *Credit Procedures* of the NI Network Gas Transmission Code, as set out in section H below.

D Impact on the networks of the Designated Pipeline Operators, Adjacent Transporters and/or relevant agreements in respect of the NI Network:

The Transporter has considered the impacts the modification may have and concluded as follows:

Operation of the networks of the Designated Pipeline Operators (DPOs)

No Impact.

Adjacent Transporters

No Impact.

Relevant NI Agreements

No Impact

E The date proposed for implementation

The Transporter proposes that these arrangements should come into effect from 1st June 2026, or if later, the date of approval of this Proposed Modification by the Authority.

F How to Respond

Please send responses no later than 22nd April 2026 by email to:

shippercommunications@gmo-ni.com

G Further Information on the Proposed Changes

Context

The credit rules in the NI Network Gas Transmission Code were originally prepared to support the mutualisation of parts of the network, at a time when network capacity was sold on a long term, multi-year basis. To protect and facilitate the low-cost debt financing of the mutualised assets, Shippers take full exposure to default by other Shippers under the Code credit rules and the Transporter's licence provisions, which allow for cost recovery from other Shippers in the event of an unrecovered debt.

Credit requirements were therefore set at the relatively high level of 80% of a Shipper's forecast capacity and commodity charges, and 80% of their forecast energy balancing charges, for the Gas Year. Credit was typically placed and held for multiple years at a time and updated periodically when individual credit instruments expired, to ensure the 80% credit cover was maintained continuously, including to cover the end of year Reconciliation Payments, which become due in January after the end of the Gas Year.

In 2015, short term (daily, monthly and quarterly) capacity products were introduced, in compliance with EU Regulations. As the use of these has increased, Shippers' capacity bookings have become more variable during the year.

There have also been periods of generally greater variability and spikes in the gas price, which drives potential credit exposure to energy balancing charges through the Average PS Code Charge, which is calculated on a rolling 12-month basis.

This has changed the profile of credit risk through the year, generally reducing it month on month for each individual Shipper in response to their capacity booking profile, and increasing it in relation to energy balancing charges when price spikes occur.

As long as Shippers pay their monthly invoices, the credit risk against their forecast charges to the end of the Gas Year decreases throughout the year, but the current rules do not reflect this. In addition, the rules as currently drafted are not sufficiently granular to deal with material changes in the gas price during the year, or credit cover for the Reconciliation Payment. They also lack granularity in relation to the processes for capacity sales at interconnection points. This has been highlighted by the need (during the last Gas Year) to update PRISMA to enable Shippers to purchase more short term capacity products.

Summary of Proposed Changes

GMO NI undertook a full review of the credit arrangements and concluded that the arrangements should be updated to make them clearer and more flexible for Shippers, whilst maintaining the 80% credit cover of the forecast charges requirement including for Reconciliation Payments.

The proposals include a monthly monitoring process by the Transporter, which, for each Shipper:

- checks whether any invoices are overdue,
- recalculates the remaining forecast annual charges requirement to the end of the Gas Year, i.e. less paid invoice amounts
- reviews the level and duration of the credit instrument(s) in place,
and hence
- re-assesses the credit cover position of each Shipper, each month,

After this monthly process, the Transporter will notify relevant Shippers within 1 Business Day if there is a credit shortfall. Shippers will have 5 Business Days to place additional credit where needed

(rather than the current 10 Business Days) and the Transporter will take 5 (rather than 10) Business Days to verify that the placed credit is sufficient.

Since it will now be more explicit that a Shipper may reduce their Provided Level of Credit Support (PLCS) during the year, a Shipper's credit cover requirement for the Forecast Reconciliation Payment will be explicitly added to their Required Level of Credit Support (RLCS) at the Monthly Reassessment in August each Gas Year to make sure this requirement is not overlooked. This timing aligns with when the Transporter will have the best possible estimate of the forecast reconciliation prior to the end of the Gas Year and means that it does not have to be estimated or added to a Shipper's credit requirement at the start of the Gas Year. Where the Forecast Reconciliation Payment is expected to be a payment back to Shippers, there will be no change to the credit requirements.

Shippers may choose to align their credit terms with the Gas Year, the calendar year or may have different duration instruments. Consequently, there may be a misalignment between individual credit instruments placed by a Shipper, the Gas Year, and the relevant forecast charges associated with a given Gas Year.

The proposed rules are therefore more specific about how coverage for PRISMA Short Term Capacity Auctions (which take place starting in July i.e. ahead of the Gas Year) and for the August and September invoices and the Reconciliation Payment (which fall due after the end of the Gas Year) may be achieved under a Shipper's credit instruments.

The proposed changes clarify that, where necessary:

- a Shipper's credit instruments placed for the current Gas Year Y may be used in relation to those Short Term IP Entry Capacity Auctions which fall ahead of the start of Y+1, provided there is sufficient credit cover for those Auctions and the remaining forecast charges for the current Gas Year Y, and this level of credit needs to be retained until the bills for all these charges fall due.
- a Shipper's credit instruments placed for Y+1 may be used as cover for the charges at the end of Gas Year Y, provided there is sufficient credit cover for all the remaining charges associated with Gas Year Y as well as the forecast charges for Gas Year Y+1.

The proposed text allows a Shipper to inform the Transporter if it does not wish these default procedures to be used, and also to place credit for Y+1 earlier than the annual process run by the Transporter in August.

The proposed rules will also add the specific credit ratings for Fitch (currently referred to as an Equivalent Ratings Agency) into the existing table, to provide better visibility of the options available for Shippers. They also add granularity around the process for the Transporter updating a Shipper's Short Term Provided Level of Credit on PRISMA, including distinguishing between the IP Entry Points. Shippers may specify these splits of their capacity, but the Code will set out that the Transporter will determine the default position in line with the forecast information in a Shipper's Credit Application.

The Transporter also proposes to relocate the provisions of the Code relating to Acceptable Forms of Credit Support to an Annex at the end of section 18, to improve the flow of the process steps in the main section 18 text.

Anticipated Shipper Impacts

These changes will update each Shipper's credit position on a monthly basis.

For those Shippers who prefer to maintain their credit placement on an annual or longer term basis, this will have little impact. Shippers may wish to review the timing of expiry of their credit instruments in relation to the end of the Gas Year.

For Shippers who wish to operate more flexibly, the monthly credit reassessment will reflect the credit risk they pose through the year, whilst maintaining the 80% cover requirement including, explicitly, for any Y+1 Auctions and the end-of-year Reconciliation Payment. If Shippers wish to reduce their PLCS

during the year (for example if it offers them savings on the associated cost of placing and maintaining credit), they will be able to do so, whilst the Code will be clear that the 80% credit cover of all of the outstanding and forecast charges is retained, monitored and enforced until all bills are paid.

The changes will also add clarity and improve credit protection for all Shippers in relation to gas price spikes. It will also be clear that Shippers may specify the proportions of their short term credit to apply to different IP Entry Points.

Overall, the proposed changes are expected to improve the management of credit risk by the Transporter for the Shipper community.

The following Business Rules outline how the proposed process should work in practice.

Business Rules for the Proposed Changes

1. The Transporter will put in place a new monthly process for reassessing each Shippers Required Level of Credit Support (RLCS) and their Provided Level of Credit Support (PLCS).
2. As part of this process, a Shipper's Short Term Provided Level of Credit (STPLCS) will be updated by the Transporter on the PRISMA Capacity Auction platform during the Gas Year.
 - The calculation of the STPLCSmin for the Credit Period by the Transporter will set out the components of forecast charges relating to each IP Entry Point. This will set a default position, which the Shipper may amend, if it so chooses, by notifying the Transporter on its PLCS Form. If the Shipper does not otherwise specify, the Transporter will update PRISMA with the default position.
 - The Code will clarify that provided a Shipper has sufficient remaining credit support in Gas Year Y, a credit instrument which is in place for Gas Year Y may be taken into account when the Transporter determines the STPLCS which should be shown on PRISMA in relation to those short term capacity auctions for Gas Year Y+1 which take place in Gas Year Y.
3. The basic principles of the existing credit rules in the Code will remain the same, including:
 - the level of credit cover required
 - actions required in the event of a Shipper's PLCS falling below its RLCS, including
 - drawing on credit support, and
 - the reasons and arrangements for convening the Credit Committee
4. The existing reasons for triggering a reassessment of the RLCS or the PLCS will be retained, except that the trigger currently at 18.8.1(d) which refers to changes in the Total Commodity Quantity will be amended to refer to a Shipper's total Forecast Postalised Charges and Forecast PS Code Charges, to ensure that it takes account of changes in the gas price.
5. The values for the Maximum Allowed Unsecured Credit for Fitch as an acceptable ratings agency will be added to the relevant Code table.
6. In addition, the proposed changes to definitions of the Credit Period and the RLCS are to make them more granular and specific about cover for the end of year Reconciliation Payment. Since the overall size of the Reconciliation Payment and impact on each Shipper is not known at the start of the Gas Year, this will be added to the assessment of the RLCS in August, at which point it can be most accurately estimated. The principles for Code changes on this point are set out further below.

New Monthly Monitoring Process Steps

7. By the 15th Business Day of each month M, the Transporter will make a reassessment of a Shipper's RLCS and PLCS using the following steps:
 - a) Check that invoices falling due have been paid
 - Any overdue invoices will be pursued promptly according to the existing Code rules in section 17
 - Invoices outstanding but not yet due (i.e. invoices which have been issued for M-1 which fall due by the 10th Business Day in M+1) remain as part of the forecast charges for the Credit Period, for which credit cover is required.¹
 - b) Calculate Remaining Forecast Charges
 - Determine Forecast Postalised Charges remaining to the end of the Gas Year
 - Using any updates notified by the Shipper via a revised Credit Application
 - Taking into account any outstanding and any overdue invoices
 - Determine Forecast PS Code Charges remaining to the end of the Gas Year
 - Forecast energy balancing charges are calculated using average gas prices over the previous rolling 12-month period, so will need to be recalculated each month using an updated set of price data, and hence will incorporate any variation in gas prices
 - Taking into account any outstanding and any overdue invoices
 - In August, the aggregate forecast Reconciliation Payment for Gas Year Y will be assessed. The estimated charge or payment for each Shipper will then be determined
 - Each Shippers Forecast Postalised and PS Code Charges requirement will be added together plus, from August only, any Forecast Reconciliation Payment payable by the Shipper for Gas Year Y, to restate their total forecast charges for Gas Year Y. For the avoidance of doubt, where a Reconciliation Payment is forecast to be payable by the Transporter to the Shipper, this will not impact the Shippers Required Level of Credit.
 - c) RLCS Reassessment
 - Each Shippers RLCS, i.e. 80% of the updated total forecast charges to the end of the Gas Year, will be redetermined
 - From the month in which the Y+1 Short Term Capacity Auctions commence, the associated RLCS in respect of Short Term Capacity Products for Y+1 will also be determined, to assist with assessing the amount of credit which should be placed on PRISMA
 - d) PLCS Reassessment
 - For each Shipper, the PLCS for Gas Year Y will be redetermined as follows:
 - Confirm if any PLCS Adjustment Form has been received from the Shipper

¹ The day for the monthly reassessment process has been selected as the 15th Business Day so that it is performed mid-month. Invoices for any given month are issued by the 10th Business Day of the next month and fall due for payment by the 10th Business Day in the subsequent month. Therefore, the monthly reassessment process will treat invoices from 2 months prior as being due and will check that payment has been received accordingly. By the time of the reassessment on the 15th Business Day, invoices for the immediately preceding month will have been issued but will not have fallen due for payment. This means that credit cover must be maintained for those outstanding invoice amounts and so will be included in the reassessment calculation in month M. The monthly RLCS will therefore generally lag the total monthly remaining forecast charges by 1 month.

- Confirm no relevant credit downgrades have occurred
 - Confirm that the value of unsecured PLCS is < Maximum Allowed Unsecured Credit allowed under the Code
 - Confirm no loss/withdrawal of Secured Credit Support
 - Confirm the total amount and duration of PLCS in place
 - Confirm the status of STPLCS_{min} (or STPLCS proportions as specified by Shipper)
- Where applicable, the PLCS for Gas Year Y+1 shall also be determined/redetermined
- e) Determine whether the RLCS has been established
- Establish for each Shipper for Gas Year Y whether their PLCS $\geq$ RLCS according to the PLCS Form
 - The existing Code timeframe of 10 Business Days for this will be reduced to 5 Business Days.
 - The Transporter will notify Shippers of any **increase** in their RLCS by sending a Revised RLCS Form within 1 Business Day
 - The Transporter will **not** notify Shippers of any reduction in the RLCS
 - Where the PLCS < RLCS, if not otherwise rectified by the Shipper within 5 Business Days, credit support will be drawn down in accordance with the Code
 - The Transporter will update the STPLCS where appropriate on PRISMA
 - Where a Shipper has a concurrent RLCS for Gas Year Y and for Short Term Capacity Products for Y+1, any PLCS shall be treated as first serving the earliest Gas Year, unless otherwise notified by the Shipper.

NB: The reduction in the timescales for a Shipper updating the PLCS and the Transporter verifying that it is acceptable is required to enable the process to operate within the monthly invoicing and credit reassessment cycle.

f) Verification of PLCS by the Transporter

In addition to checking the PLCS Form submitted by the Shipper shows sufficient credit, the Transporter will check the details and duration of the relevant credit instruments to verify the PLCS, within 5 Business Days.

Where a Shipper wishes to amend their PLCS within the Gas Year:

- the Shipper will need to submit a new Credit Application to the Transporter (unless the Shipper has already been issued a Revised RLCS Form)
- the Transporter will confirm the new RLCS on a Revised RLCS Form
- the Shipper will then need to provide a PLCS Adjustment Form and amend their placed credit accordingly
- the Transporter will verify the placed credit within 5 Business Days

at which point, the Shipper's updated RLCS is treated as having been established, or the Shipper is treated as being in LPC Default (Level of Provided Credit Default).

Code Principles for Credit Cover for the Reconciliation Payment and for Capacity Auctions ahead of the Gas Year

8. The level of credit cover required will remain as 80% of forecast capacity and commodity charges and 80% of forecast energy balancing charges for the Gas Year, i.e. all the Charges associated with Gas Year.
9. The Credit Period is currently defined in the Code as Gas Year Y or the remainder of Gas Year Y. It will be adapted to emphasise that at the point of a Monthly Reassessment it refers to the forecast charges due for the remainder of the relevant Gas Year (i.e. that a Shipper's RLCS reduces during the Gas Year provided invoices are paid). The description of Charges associated with Gas Year Y will be amended to clarify that they include any amounts incurred ahead of the Gas Year or those falling due after the end of the Gas Year and the Reconciliation Payment.
10. The calculation of the RLCS requirement will be amended to make it clear that the Forecast Reconciliation Payment amount will be added to the RLCS **in August** in Gas Year Y only (as opposed to at the start of the Gas Year).
11. As is currently the case, credit for Gas Year Y+1 must be placed by 3rd Business Day in September in Y, meaning the credit requirements for Gas Year Y and for Gas Year Y+1 overlap. Where a Shipper places a separate credit instrument in respect of the charges for Gas Year Y+1, if there is insufficient credit remaining on the credit instrument for Gas Year Y, then the instrument for Gas Year Y+1 will be treated as also providing cover for the Reconciliation Payment for Gas Year Y (as well as the August and September invoices which also fall due after the end of the Gas Year), provided that it provides sufficient credit to cover the remaining credit period of Gas Year Y+1 as well. Similarly, a credit instrument for Gas Year Y may be treated as providing cover for Capacity Auctions for Y+1 which take place ahead of the Gas Year, provided it provides sufficient credit to cover those as well as remaining charges for Gas Year Y.
12. Shippers may wish to review the timing of expiry of their credit instruments to ensure that valid and sufficient credit remains in place both for Short Term Capacity Auctions ahead of Y+1, and over the end of the Gas Year and into the next, for the Reconciliation Payment. This is particularly relevant where a Shipper has a declining year-on-year requirement for network capacity/gas flows or intends to cease trading at the end of the Gas Year, and has been reducing its PLCS during the Gas Year. Depending on their approach, Shippers may wish to ensure that:
 - their credit instrument in respect of Gas Year Y is sufficient to cover any Y+1 Short Term Capacity Auctions as well as remaining charges to the end of Gas Year Y
 and
 - the credit instrument in respect of Gas Year Y+1 is sufficient to cover the August and September invoices and the Reconciliation Payment for Gas Year Y, or
 - the credit instrument in respect of Gas Year Y does not expire until the end of January of the following year.

Section H: Update Section 18: Credit Procedures to read as follows:

18. CREDIT PROCEDURES

18.1 Introduction

Application for Credit under this Code

18.1.1 In this Code:

- (a) a **“Required Level of Credit Support”** means, in respect of a Shipper or Prospective Shipper, the minimum level of credit which the Transporter shall require such Shipper or Prospective Shipper to establish and maintain in accordance with this section 18;
- (b) a **“Provided Level of Credit Support”** means, in respect of a Shipper or Prospective Shipper, the sum of the Secured Credit Support and Unsecured Credit Support which such Shipper or Prospective Shipper has placed with the Transporter in accordance with this section 18;
- (c) a **“Credit Application”** is a request from a Shipper or Prospective Shipper to the Transporter to determine the Required Level of Credit Support that the Shipper or Prospective Shipper is required to establish in order for it to reserve and utilise IP Entry Capacity, Non-IP Entry Capacity, Exit Capacity and/or Interruptible VRF IP Exit Capacity and/or for it to trade at the Trading Point;
- (d) a **“Credit Application Form”** is a form provided by the Transporter in the Prescribed Form setting out the administrative and forecast information required for the purposes of calculating the Required Level of Credit Support;
- (e) the **“Credit Period”** means Gas Year Y, or where a Credit Application is received within Gas Year Y or a Shipper's Required Level of Credit Support or Provided Level of Credit Support is reassessed within Gas Year Y, the remainder of that Gas Year Y.

18.1.2 In accordance with this section 18, a Shipper (including for the avoidance of doubt, the Stranraer Shipper pursuant to section 27) shall submit a Credit Application to the Transporter:

- (a) in respect of each Gas Year; and
- (b) within a Gas Year, in the event of a reassessment of a Shipper's Required Level of Credit Support in accordance with ~~section 18.8~~ sections 18.8.2 and 18.8.3.

18.1.3 The Transporter shall provide a Credit Application Form to each Shipper:

- (a) each Gas Year by the 1st Business Day in June; and
- (b) within a Gas Year, where a re-assessment is required pursuant to one or more of sections ~~18.8.1 (a) to (e)~~ 18.8.2 (b) to (e) –or where a Shipper requests a re-assessment pursuant to section ~~18.8.1 (f)~~ 18.8.2(f) in respect of such Gas Year.

- 18.1.4 A Shipper shall complete and submit the Credit Application Form to the Transporter:
- (a) in respect of section 18.1.2-(a) by no later than the 10th Business Day in July; and
 - (b) in respect of section 18.1.2(b), by the 10th Business Day in the Month, otherwise it will be considered at the Monthly Reassessment in the following Month, as soon as possible.
- 18.1.5 A Prospective Shipper:
- (a) may request a Credit Application Form and submit its' completed form to the Transporter at any time;
 - (b) where section 18.2.1 applies, may request a Required Level of Credit Support of zero in accordance with the remainder of section 18.2.
- 18.1.6 A Shipper or a Prospective Shipper shall provide, together with its Credit Application Form, a copy of its most recent audited accounts and such further information as the Transporter may reasonably require for the purposes of determining a Prospective Shipper's or Shipper's Required Level of Credit Support.

Credit Processes

- 18.1.7 On receipt of a Credit Application:
- (a) the Transporter shall calculate the Required Level of Credit Support in accordance with section 18.3;
 - (b) the Transporter shall notify the Shipper (or Prospective Shipper) of the Required Level of Credit Support in accordance with section 18.4;
 - (c) the Shipper (or Prospective Shipper) shall place its Provided Level of Credit Support and notify the Transporter using a PLCS Form in accordance with sections 18.5 and 18.6; and
 - (d) the Transporter shall determine whether the Required Level of Credit has been established in accordance with section 18.7.
- 18.1.8 By the 15th Business Day of each Month the Transporter shall reassess a Shipper's Required Level of Credit Support and Provided Level of Credit Support in accordance with section 18.8.1.
- 18.1.~~89~~ At any time within a Gas Year:
- (a) a Shipper may voluntarily increase its Provided Level of Credit Support by submitting a PLCS Adjustment Form in accordance with section ~~18.6.4~~18.6.8;
 - (b) the Transporter shall reassess a Shipper's Required Level of Credit Support in accordance with section ~~18.8.1~~18.8.2;

- (c) the Transporter shall reassess a Shipper's Provided Level of Credit Support in accordance with section ~~18.8.2~~18.8.3;
- (d) where a Shipper requests a reassessment of its Required Level of Credit Support in accordance with section ~~18.8.1(f)~~18.8.2(f) the Transporter shall treat such request as a new Credit Application;
- (e) the Transporter may draw down on a Shipper's Provided Level of Credit Support in accordance with section 18.9;
- (f) the Transporter may convene a meeting of the Credit Committee in accordance with section 18.10;
- (g) where a Shipper does not have an established Required Level of Credit Support in accordance with section 18.7:
 - (i) a Shipper's bids on the Capacity Platform may be rejected in accordance with section 2.6 and section 18.7.7;
 - (ii) the Transporter may reject any Exit Capacity Application by such Shipper in accordance with section 3.3.6;
 - (iii) the Transporter may reject IP Nominations by such Shipper in accordance with section 6.7; and
 - (iv) the Transporter may reject Exit Nominations by such Shipper in accordance with section 6.11
 - (v) the Transporter may reject a request for a further Registration under section 22;
and the Transporter may revoke access to the Delphi System and the Capacity Platform accordingly.

Duration of Credit Support

18.1.~~9-10~~ The Required Level of Credit Support for a given Gas Year Y shall apply in respect of the following Charges relating to Gas Year Y ~~from the date on which the Transporter issues its determination of the Required Level of Credit Support in accordance with section 18.4.1 and for the avoidance of doubt may be reduced within the Gas Year Y if (following a reassessment in accordance with section 18.8) a determination is made by the Transporter that there has been a reduction in the Required Level of Credit Support for Gas Year Y for~~;

- (a) IP Entry Capacity Charges in respect of the Gas Year which are incurred in Capacity Auctions ahead of Gas Year Y and which become payable during Gas Year Y;
- (b) Charges incurred during any Month in Gas Year Y which become payable during Gas Year Y;
- (c) Charges incurred during any Month in Gas Year Y which become payable following the end of the Gas Year Y; and

(c) Reconciliation Payments payable by the Shipper to the Transporter for Gas Year Y.

18.1.11 A Shipper may request to reduce its Provided Level of Credit Support for Gas Year Y during the Gas Year in accordance with section 18.6.8 provided always that a Shipper shall maintain its Provided Level of Credit Support for Gas Year Y at the Required Level of Credit Support for such Credit Period until such time as the Shipper has paid all amounts which fall due to be paid by it in respect of Gas Year Y.

~~18.1.10 If a Shipper has a Required Level of Credit Support for Y+1 which is lower than the Required Level of Credit Support for Gas Year Y, the AShipper shall maintain its Provided Level of Credit Support at the Required Level of Credit Support for Gas Year Y until such time as the Shipper has paid all amounts which fall due to be paid by it in respect of Gas Year Y, including amounts which become payable following the calculation of the Year-End Postalised Charges for Gas Year Y and the invoicing of Reconciliation Payments for Gas Year Y.~~

18.1.12 Subject to the terms of the relevant Provided Level of Credit Support placed by a Shipper, where a Shipper:

(a) has an established Provided Level of Credit Support in respect of Gas Year Y+1, the Transporter may take account of such credit in respect of any Charges for Gas Year Y;

(b) has an established Provided Level of Credit Support in respect of Gas Year Y, the Transporter may take account of such credit in respect of Auctions for Short Term Capacity Products for Gas Year Y+1 which take place during Gas Year Y,

and in each case section 18.6.10 shall apply.

18.1.13 Pursuant to section 18.1.12, a Shipper may notify the Transporter in writing if it does not want:

(a) a Provided Level of Credit Support for Gas Year Y+1 to be taken into account for Charges in relation to Gas Year Y; or

(b) a Provided Level of Credit Support for Gas Year Y to be taken into account for Charges for Forecast Short Term Charges for Gas Year Y+1.

18.2 Application for a Required Level of Credit Support of zero on accession to the Code

18.2.1 Where a Prospective Shipper applies to become a Shipper under this Code prior to 30th September in Y-1 but only anticipates reserving Exit Capacity and/or IP Capacity for Gas Year Y or subsequent Gas Years, the Prospective Shipper may submit a Credit Application requesting a Required Level of Credit Support of zero in respect of Y-1.

18.2.2 If a Prospective Shipper requests a Required Level of Credit Support of zero in accordance with section 18.2.1 the Prospective Shipper shall:

(a) provide information accompanying its Credit Application setting out the relevant Gas Year(s) for which the Shipper anticipates reserving Exit Capacity and/or IP Capacity;

- (b) use reasonable endeavours to provide accurate forecast information on its Credit Application in respect of the relevant Gas Year(s) referred to in section 18.2.2(a) and any future Gas Years requested by the Transporter in respect of the Credit Application; and
 - (c) provide any such alternative evidence of credit worthiness as the Transporter may deem appropriate for the purposes of becoming a Shipper under this Code (**“Alternative Evidence of Credit Worthiness”**).
- 18.2.3 The Transporter shall inform the Prospective Shipper if its request for a Required Level of Credit Support of zero for Y-1 has been accepted.
- 18.2.4 For the avoidance of doubt, if the Prospective Shipper's request for a Required Level of Credit Support of zero for Y-1 is accepted by the Transporter:
- (a) the Prospective Shipper shall not be required to place any Provided Level of Credit Support for Y-1;
 - (b) when the Prospective Shipper becomes a Shipper it is required to submit Shipper Forecast Information Requests in respect of Gas Year Y and Gas Years thereafter in accordance with section 16 and the provisions of this Code shall have full force and effect from the effective date of the Shipper's executed Accession Agreement in accordance with section 22.2.5; and
 - (c) such Shipper shall not be entitled to submit Nominations in respect of Y-1.
- 18.2.5 Where a Shipper subsequently wishes to reserve and utilise Exit Capacity and/or IP Capacity in Y-1 for which it has a Required Level of Credit Support of zero, it shall promptly request and submit a revised Credit Application to the Transporter.

18.3 Calculation of the Required Level of Credit Support

18.3.1 In this Code:

- (a) **“Rolling Average PS Code Charge”** means, ~~for Gas Year Y:~~
 - (i) the sum of all Shippers' PS Code Charges incurred during the Relevant 12-month Period; divided by
 - (ii) the sum of the Average Total System Aggregate Throughput during the Relevant 12-month Period;
- (b) **“Relevant 12-month Period”** means the 12-month period for which CC Invoices have been issued immediately preceding the Day on which the Rolling Average PS Code Charge is calculated;
- (c) **“Average Total System Aggregate Throughput”** means the Total System Aggregate Throughput divided by 2;
- (d) **“Commodity Value of Trades”** means:

- (i) the forecast total quantity of Trade Buy Nominations that the Trader will submit in Gas Year Y; multiplied by
- (ii) the Rolling Average PS Code Charge;
- (e) **“Forecast Supplier Quantity”** has the meaning given to it in the Licences and, for the avoidance of doubt, such forecast does not include quantities of gas nominated to be offtaken at a VRF IP Exit Point;
- (f) **“Forecast VRF IP Exit Quantity”** means the quantity of gas that a Shipper estimates it will nominate to be offtaken at a VRF IP Exit Point in respect of Gas Year Y;
- (g) **“Total Forecast Commodity Quantity”** means the sum of Forecast Supplier Quantity and Forecast VRF IP Exit Quantity; and
- ~~(h) **“Credit Period”** means Gas Year Y or where a Credit Application is received within a Gas Year, the remainder of that Gas Year.~~
- (h) **“Forecast IP Entry Nominations”** means the quantity of gas that a Shipper estimates it will nominate to be delivered at IP Entry Points in respect of Gas Year Y;
- (i) **“Forecast Trade Buy Nominations”** means the forecast total quantity of Trade Buy Nominations that a Shipper will submit in Gas Year Y;
- (j) **“Forecast Trade Sell Nominations”** means the forecast total quantity of Trade Sell Nominations that a Shipper will submit in Gas Year Y;
- (k) **“Forecast DBEP Nominations”** means the quantity of gas that a Shipper estimates it will nominate to deliver at a DBEP under the distribution network codes;
- (l) **“Forecast Aggregate Throughput”** means, in respect of a Shipper:
 - (i) the sum of the Shipper’s Forecast IP Entry Nominations, Forecast Daily DBEP Nominations and the Shipper’s Forecast Trade Buy Nominations; plus
 - (i) the sum of the Shipper’s Forecast VRF IP Exit Quantity, the Shipper’s Forecast Supplier Quantity and the Shipper’s Forecast Trade Sell Nominations;
- (m) **“Forecast Average Throughput”** means, in respect of a Shipper, the Shipper’s Forecast Aggregate Throughput divided by 2;-
- (n) **“Forecast Reconciliation Payment”** means the amount forecast to be paid to, or to be paid by, a Shipper in respect of Year-End Postalised Charges for Gas Year Y.

Components of the Required Level of Credit Support for Shippers

- 18.3.2 In respect of a Credit Period, the Required Level of Credit Support that a Shipper or Prospective Shipper shall be required to establish shall be of a value equal to 80 per cent of the sum of:

- (a) a forecast of the Forecast Postalised Charges that the Shipper or Prospective Shipper will incur during ~~Gas Year Y~~the Credit Period on the NI Network calculated in accordance with section 18.3.6; plus
- (b) a forecast of the PS Code Charges that the Prospective Shipper or Shipper will incur during ~~Gas Year Y~~the Credit Period on the NI Network calculated in accordance with section 18.3.7; plus
- (c) any amounts in respect of the Credit Period which have been incurred but which are not yet due for payment; plus
- (d) any overdue PS Transmission Amounts and Outstanding PS Code Charges in respect of the Credit Period.

Components of the Required Level of Credit Support for Traders

- 18.3.3 In respect of a Credit Period, the Required Level of Credit Support that a Trader shall be required to establish shall be of a value equal to 80 per cent of the Traders' Commodity Value of Trades plus any amounts incurred but not yet due for payment and any Outstanding PS Code Charges.
- 18.3.4 For the avoidance of doubt (in respect of a Shipper who may also trade at the Trading Point):
- (a) section 18.3.3 shall not apply to a Shipper who has an IP Registration or an Exit Point Registration and who intends to make IP Nominations and/or Exit Nominations in Gas Year Y and the Required Level of Credit Support for such a Shipper shall be determined solely in accordance with section 18.3.2; and
 - (b) such a Shipper shall not be required to establish the Required Level of Credit Support set out in section 18.3.3 in addition to the Required Level of Credit Support set out in section 18.3.2.

Calculation of Forecast Postalised Charges

- 18.3.5 In respect of a Credit Period, in order to calculate the Forecast Postalised Charges that a Shipper or Prospective Shipper is likely to incur in relation to the Credit Period the Transporter shall first determine:
- (a) its forecast of the Shipper's or Prospective Shipper's Total Forecast Commodity Quantity as the higher of:
 - (i) the Shipper's or Prospective Shipper's estimated Total Forecast Commodity Quantity as set out in its Credit Application; and
 - (ii) the Total Forecast Commodity Quantity which the Transporter reasonably estimates that the Shipper or Prospective Shipper will nominate to be offtaken from the NI Network during the Credit Period; and
 - (b) its forecast of the Shipper's or Prospective Shipper's IP Capacity and Exit Capacity as the higher of:

- (i) the Shipper's or Prospective Shipper's forecast of IP Capacity and Exit Capacity it will hold during the Credit Period as set out in its Credit Application; and
- (ii) the IP Capacity and Exit Capacity which the Transporter reasonably estimates that the Shipper or Prospective Shipper will hold during the Credit Period;

and

(c) from the 15th Business Day in August in Gas Year Y only, its forecast of the Shipper's or Prospective Shipper's Forecast Reconciliation Payment which the Transporter reasonably estimates shall be payable by the Shipper for such Gas Year Y.

18.3.6 The Transporter shall calculate the Shipper's or Prospective Shipper's total Forecast Postalised Charges in respect of a Credit Period as the sum of the Forecast Postalised Charges that will be payable in respect of:

- (a) the volume of gas estimated to be nominated to be offtaken by the Shipper or Prospective Shipper in the Credit Period as determined in accordance with section 18.3.5(a); and
- (b) the IP Capacity and Exit Capacity estimated to be held by the Shipper or Prospective Shipper in the Credit Period as determined in accordance with section 18.3.5(b); and

(c) from the 15th Business Day in August until the end of the Gas Year Y only, the Shipper's or Prospective Shipper's Forecast Reconciliation Payment which will be payable by the Shipper to the Transporter for Gas Year Y.

~~and~~ in accordance with the Licences.

Calculation of Forecast PS Code Charges

18.3.7 In respect of a Credit Period, the Transporter shall calculate the forecast PS Code Charges that a Shipper or Prospective Shipper is likely to incur in the Credit Period as an amount equal to the value of the Shipper's Forecast Average Throughput for the Credit Period multiplied by the Rolling Average PS Code Charge.

No Requirement for Credit Support for IP Capacity Transfers and Exit Capacity Transfers

18.3.8 For the avoidance of doubt, the Transporter shall have no obligations or liability in relation to credit support for:

- (a) IP Capacity Transfers and/or Exit Capacity Transfers; and
- (b) transfers of gas between Shippers at the Trading Point,

and such matters shall be addressed directly between Shippers.

Calculation of Short Term Required Level of Credit Support

18.3.9 In this Code:

- (a) **“Forecast Short Term Charges”** means the forecast charges for Short Term Capacity Products;
- (b) **“Forecast Other Charges”** comprises forecast charges for:
 - (i) Forecast Postalised Commodity Charges;
 - (ii) Exit Capacity;
 - (iii) Yearly IP Entry Capacity; and
 - (iv) PS Code Charges;
- (c) **“Short Term Capacity Products”** means Monthly IP Entry Capacity, Daily IP Entry Capacity, Quarterly IP Entry Capacity and Interruptible VRF IP Exit Capacity.

18.3.10 Where a Shipper forecasts in its Credit Application that it will use Short Term Capacity Products, the Transporter shall calculate the minimum value of the Shipper's total Required Level of Credit Support which is required to cover Forecast Short Term Charges ~~as 80 per cent of the Forecast Short Term Charges~~ (“**STRLCS_{min}**”) in accordance with section 18.3.11.

18.3.11 The Transporter shall calculate the STRLCS_{min} as the sum of 80 per cent of the Forecast Short Term Charges in respect of each IP Entry Point during the Credit Period. Any statement of the STRLCS_{min} shall set out the relevant components for each IP Entry Point.

18.4 Determination and Notification of the Required Level of Credit Support by the Transporter

18.4.1 By no later than the 10th Business Day in August ~~in each Gas Year Y-year, and within 10 Business Days of any receipt of any submission of a revised Credit Application within a Gas Year,~~ the Transporter shall determine and inform a Shipper (including a Trader) of its' Required Level of Credit Support for Gas Year Y+1 by providing a form setting out:

- (a) the total Required Level of Credit Support;
- (b) the STRLCS_{min} (if applicable); and
- (c) to what extent the Required Level of Credit Support may be met through the provision of Unsecured Credit Support and the amount, if any, of Secured Credit Support required to make up any deficiency,

in the Prescribed Form (a “**RLCS Form**”).

18.4.2 Subject to section 18.4.3, following any reassessment by the Transporter of a Shipper's Required Level of Credit Support (including a Monthly Reassessment), where the Transporter determines that a Shipper has an insufficient Provided Level of Credit

Support, it shall provide the Shipper with a revision to the RLCS Form (a “**Revised RLCS Form**”) within 1 Business Day. For the avoidance of doubt, the Transporter shall not notify a Shipper of any reduction in the Required Level of Credit Support identified in a Monthly Reassessment.

18.4.3 On receipt of any submission of a revised Credit Application within a Gas Year, the Transporter shall provide a Shipper with a Revised RLCS Form within 1 Business Day of the next Monthly Reassessment immediately following receipt of such revised Credit Application.

18.4.24 If for any given Gas Year Y, the Transporter forecasts, pursuant to section 18.3, that a Shipper’s Forecast Postalised Charges will be zero, the Transporter may determine that the Shipper’s Required Level of Credit Support shall be zero and such Shipper shall not be required to place any Provided Level of Credit Support for that Gas Year Y, provided always that if a Shipper subsequently wishes to reserve and utilise Exit Capacity and/or Short Term Capacity Products in that Gas Year Y the Shipper shall promptly submit a revised Credit Application to the Transporter.

18.5 **Placing a Provided Level of Credit Support** ~~and Acceptable forms of credit support~~

18.5.1 A Shipper shall place a Provided Level of Credit Support that is at least equal to its total Required Level of Credit Support in a form that is acceptable to the Transporter in accordance with ~~this Annex A18~~ ~~section 18.5~~, notwithstanding the subdivision of the Provided Level of Credit Support for Forecast Short Term Charges and Forecast Other Charges under sections 18.5.2 and 18.5.3. For the avoidance of doubt, a Shipper may place a Provided Level of Credit Support that is greater than its Required Level of Credit Support.

Treatment of Short Term Provided Level of Credit Support

18.5.2 Where the Transporter has determined a $STRLCS_{min}$ in accordance with section 18.3.10 ~~and 18.3.11~~, part of a Shipper’s Provided Level of Credit Support shall be treated as being provided for credit support in relation to Forecast Short Term Charges (the “**STPLCS**”). The STPLCS must be equal to or greater than the $STRLCS_{min}$ at all times.

18.5.3 That part of the Provided Level of Credit Support which is not treated as being the STPLCS shall be treated as being provided for credit support in relation to Forecast Other Charges (the “**OCPLCS**”).

~~**Acceptable forms of credit support**~~ *[Please note these provisions been relocated to a new Annex at the end of this section 18]*

~~18.5.4 A Shipper or a Prospective Shipper may elect to place credit support in any one or more of the following ways:~~

~~(a) subject to section 18.5.7, provision of security by way of “long term” Baa or higher investment grade rating as defined by Moody’s, an Equivalent Rating from an Equivalent Agency, or, if the Securer does not hold a credit rating by way of an Equivalent Rating based on the Accounting Ratios specified in section 18.5.9;~~

~~(b) subject to section 18.5.7, provision of security given by way of guarantee from a Government or other entity (which entity is empowered to give such guarantee) in each case holding at least a “long term” Baa investment grade as defined by Moody’s, an Equivalent Rating from an Equivalent Agency, or, if the Securer does not hold a credit rating by way of an Equivalent Rating based on the Accounting Ratios specified in section 18.5.9, which guarantee must, in any event, be given substantially in the form of the guarantee set out in Appendix 5 and, if so requested by the Transporter, be supported by a Legal Opinion, or by way of the relevant Government or other entity, being a party to the relevant Accession Agreement with payment obligations in respect of the entire consideration and other liabilities there under and under the Code;~~

~~(c) provision of security given by way of a cash deposit which shall be:~~

~~(i) paid into a designated bank account of the Transporter in the United Kingdom (which may include other Shipper’s cash deposits);~~

~~(ii)(i) held on trust by the Transporter for the benefit of the Shipper and the Transporter in accordance with the provisions of this section 18.5.4(e);~~

~~(iii)(i) used by and revert in title to the Transporter in the event of Shipper default in accordance with section 18.9.2 to the extent of amounts accrued and due to the Transporter from the Shipper (whether or not invoiced);~~

~~(iv)(i) repaid in full to the Shipper (to the extent not used by the Transporter pursuant to section 18.5.4 (c) (iii) above) in the event that:~~

~~(a) an alternative Provided Level of Credit Support is placed by the Shipper in accordance with the terms of this section 18.5 and the Transporter subsequently determines that the Required Level of Credit Support has been established; or~~

~~(b)(a) the Shipper ceases to be a Party to this Code and there are no amounts due and payable by the Shipper which are unpaid and no Party to the Code remains under any obligation actual or contingent the observance or performance of which would give rise to an obligation on the Shipper to make a payment under the Code;~~

~~(v) the perpetuity period under the rule against perpetuities, if applicable to any trust arising pursuant to this section, shall be the period of 125 years from the date of such trust arising.~~

~~(d) provision of security given by way of a guarantee or irrevocable standby letter of credit issued by a UK branch of a financial institution with a long term credit rating of not less than A3 as defined by Moody’s or an Equivalent Rating from an Equivalent Agency, issued in favour of the Transporter in the form set out in Appendix 5 parts I and II respectively or such other form as the Transporter may agree and, if so requested by the Transporter, security given by way of a guarantee shall be supported by a Legal Opinion;~~

~~where “Equivalent Agency” means Fitch, IBCA, or Standard and Poors and “Equivalent Rating” shall be construed accordingly.~~

~~Secured and Unsecured Credit~~

~~18.5.5 Security given by way of any of the methods described in section 18.5.4 (a) or section 18.5.4 (b) is “Unsecured Credit Support”, and security given by way of any of the methods described in section 18.5.4(c) or section 18.5.4(d) is “Secured Credit Support”.~~

~~18.5.6 For the avoidance of doubt:~~

- ~~(a) a Shipper may use more than one of the methods in section 18.5.4 to place its' Provided Level of Credit Support provided that the total value of security placed is at least equal to its' Required Level of Credit Support; and~~
- ~~(b) a Provided Level of Credit Support may be placed using both Secured Credit Support and Unsecured Credit Support subject to sections 18.5.7, 18.5.8 and 18.5.16.~~

~~Maximum Allowed Unsecured Credit~~

~~18.5.7 The maximum amount of credit which the Transporter may grant to a Shipper or Prospective Shipper based on Unsecured Credit Support (“Maximum Allowed Unsecured Credit”) shall be limited to a value equal to the lower of:~~

- ~~(a) 10% of the Securer's Net Assets; and~~
- ~~(b) either:
 - ~~(i) the amount listed in the table set out in section 18.5.8 under the column heading “Maximum Allowed Unsecured Credit” on the row corresponding to that Securer's credit rating; or~~
 - ~~(ii) the amount listed in the table set out in section 18.5.8 under the column heading “Maximum Allowed Unsecured Credit” on the row corresponding to that Securer's Notional S&P Credit Rating as determined by the Transporter in accordance with section 18.5.10;~~~~

~~where the “Securer” is the Shipper or Prospective Shipper (whichever is applicable) if the Unsecured Credit Support is provided under section 18.5.4(a), or the guarantor if the Unsecured Credit Support is provided under section 18.5.4(b).~~

~~18.5.8 Maximum Allowed Unsecured Credit shall be determined in accordance with the following table:~~

Moody's Credit Rating	Standard & Poor Credit Rating	Maximum Allowed Unsecured Credit (£)
Aaa	AAA	30,000,000
Aa	AA	22,000,000
A	A	16,000,000
Baa	BBB	10,000,000

~~and numerical or other modifiers to Moody's Credit Rating or Standard & Poor's Credit Rating shall be disregarded.~~

~~18.5.9 Unsecured Credit Support provided by a Securer under sections 18.5.4(a) and/or section 18.5.4(b) by way of Accounting Ratio shall be assigned a Notional S&P Credit Rating in accordance with the following tables and section 18.5.10:~~

~~(a) Ratio ranges for Transmission Utilities~~

Ratio ranges for Transmission Utilities			
Accounting Ratio	Notional S&P Credit Rating		
	AA	A	BBB
FFO Interest Coverage	above 3.3	above 2.0 to 3.3	1.5 to 2.0
FFO to Total Debt (%)	above 15	above 10 to 15	5 to 10

~~(b) Ratio ranges for Distribution Utilities and Supplier Utilities~~

Ratio ranges for Distribution Utilities and Supplier Utilities			
Accounting Ratio	Notional S&P Credit Rating		
	AA	A	BBB
FFO Interest Coverage	above 5.0	above 3.0 to 5.0	2.0 to 3.0
FFO to Total Debt (%)	above 28	above 15 to 28	8 to 15

~~(c) Ratio ranges for Integrated Utilities~~

Ratio ranges for Integrated Utilities			
Accounting Ratio	Notional S&P Credit Rating		
	AA	A	BBB
FFO Interest Coverage	above 3.8	above 2.7 to 3.8	1.7 to 2.7
FFO to Total Debt (%)	above 20	above 15 to 20	7 to 15

~~(d) Ratio ranges for Generation Utilities~~

Ratio ranges for Generation Utilities			
Accounting Ratio	Notional S&P Credit Rating		
	AA	A	BBB
FFO Interest Coverage	above 5.5	above 3.0 to 5.5	2.5 to 3.0
FFO to Total Debt (%)	above 35	above 20 to 35	10 to 20

~~(e) In this Code:~~

- ~~(i) "FFO Interest Coverage" means the ratio of profit after tax from continuing operations plus depreciation, amortisation, deferred income taxes and other non-cash items and gross interest, to gross interest (including inter company interest whether or not paid); and~~

~~(ii)(i) "FFO to Total Debt" means the profit after tax from continuing operations plus depreciation, amortisation, deferred income taxes and other non-cash items divided by total debt (including all inter-company debt), expressed as a percentage.~~

~~18.5.10 The Transporter, acting reasonably, and taking into account a Securer's submissions under section 18.5.11(c), shall decide which Utility Categorisation applies to the Securer, shall reference the applicable table in section 18.5.9(a), (b), (c) or (d) accordingly and:~~

~~(a) in the event that both the FFO Interest Coverage ratio and the FFO to Total Debt ratio for that Securer yield values that fall within the ranges listed under the same Notional S&P Credit Rating column value, shall ascribe to the Securer that Notional S&P Credit Rating; or~~

~~(b) in the event that the FFO Interest Coverage ratio and the FFO to Total Debt ratio for that Securer yield values that do not fall within the ranges listed under the same Notional S&P Credit Rating, shall ascribe to the Securer that Notional S&P Credit Rating that will yield the lower Maximum Allowed Unsecured Credit value.~~

~~18.5.11 A Securer providing, or intending to provide Unsecured Credit Support by way of an Accounting Ratio, shall provide the Transporter with the following information at the same time as, and each time that, it provides the Transporter with a Credit Application:~~

~~(a) its most recently published set of annual audited accounts;~~

~~(b)(a) calculations of the Accounting Ratios specified in section 18.5.9 cross referenced to such accounts;~~

~~(c)(a) a submission requesting one of the Utility Categorisations in section 18.5.9 to be applied to it, based on the information set out in its annual audited accounts; and~~

~~(d)(a) any other information that the Transporter might reasonably request.~~

~~18.5.12 The Transporter shall provide to each Shipper and to the Authority on the request of the Credit Committee and on the demand of any Shipper within 10 Business Days, a list of all Shippers that meet some or all of their Required Level of Credit Support through the provision of Unsecured Credit Support detailing the form of that Unsecured Credit Support, the extent to which it is provided and any information provided along with the Credit Application by each such Shipper.~~

~~18.5.13 The Transporter may at any time, or shall upon receipt of a written request from a Shipper, call a Credit Committee meeting in accordance with section 18.10.2, to request that a Shipper or Prospective Shipper be disallowed from satisfying all or any part of its Required Level of Credit Support through the provision of all or any form of Unsecured Credit Support.~~

~~18.5.14 Where a Shipper provides any form of Unsecured Credit Support as security it shall notify the Transporter immediately of any downgrading of the Securer's credit rating or material adverse change in the Securer's Accounting Ratios or any event of which it becomes aware which is likely to result in such downgrading or change from time to time.~~

~~18.5.15 If the Maximum Allowed Unsecured Credit permitted under section 18.5.7 is less than the Required Level of Credit Support notified to the Shipper in accordance with section 18.4,~~

~~the Shipper shall provide an amount of Secured Credit Support equal to at least the difference between these two figures.~~

Maximum allowed secured credit

~~18.5.16 The maximum amount of credit which the Transporter may grant to a Shipper or Prospective Shipper based on Secured Credit Support shall be limited to the value of the Secured Credit Support.~~

18.6 Timescales for placing or updating a Provided Level of Credit Support and notifying the Transporter

Timescales for initial placement of Provided Level of Credit Support for the Gas Year Y

18.6.1 Subject to ~~sections 18.1.9 and 18.1.10~~ section 18.1.11, a Shipper shall place or update its Provided Level of Credit Support for Gas Year Y with the Transporter by no later than the 3rd Business Day in September in Y-1.

18.6.2 A Shipper or Prospective Shipper placing ~~or updating~~ a Provided Level of Credit Support with the Transporter in respect of Gas Year Y shall submit a form to the Transporter specifying:

- (a) the total value of the Provided Level of Credit Support which is being provided (which may be greater than the Required Level of Credit Support);
- (b) the means by which the Provided Level of Credit Support is being provided, including the value of any Unsecured Credit Support and the duration of any time-limited component of the Provided Level of Credit Support; and
- (c) where the Provided Level of Credit Support exceeds the Required Level of Credit Support, the Shipper's requested split of the Provided Level of Credit Support between the STPLCS and the OCPLCS ~~(provided always that the STPLCS must not be less than the STRLCS_{min} as determined in accordance with section 18.3.10);~~

(d) the Shipper's requested split of the STPLCS between IP Entry Points,

in the Prescribed Form (a "**PLCS Form**"), provided always that the STPLCS must not be less than the STRLCS_{min} as determined in accordance with sections 18.3.10 and 18.3.11.

Timescales for updates to the Provided Level of Credit Support

18.6.3 Where section 18.4.2 or section 18.4.3 applies, a Shipper shall update its Provided Level of Credit Support within 5 Business Days of the issuance of a Revised RLCS Form by the Transporter.

Voluntary Increases Within Year Changes to the Provided Level of Credit Support - PLCS Adjustment

Increases

~~18.6.3~~18.6.4 For the avoidance of doubt, where the Transporter determines the STPLCS_{min}, it shall not include any amounts in respect of any Auction Premium which a Shipper may choose to bid in an Auction.

~~18.6.4~~18.6.5 At any time within Gas Year Y, if a Shipper wishes to increase its Provided Level of Credit Support in order to establish a higher level of Provided Level of Credit Support than its Required Level of Credit Support for the purposes of bidding an Auction Premium or for any other reason, then it shall submit a PLCS Adjustment Form in accordance with section ~~18.6.5~~18.6.8.

Reductions

18.6.6 A Shipper may reduce its Provided Level of Credit Support during the Gas Year in respect of the Credit Period if it has submitted a new Credit Application Form to the Transporter and the Transporter has provided the Shipper with a Revised RLCS Form confirming the reduction in the Required Level of Credit Support for such Credit Period.

18.6.7 Where 18.6.6 applies, a Shipper may reduce its Provided Level of Credit Support by submitting a PLCS Adjustment Form to the Transporter in accordance with section 18.6.8.

Process for updates to the Provided Level of Credit Support

18.6.~~58~~ Where section ~~18.6.4~~18.6.5 or 18.6.7 applies, a Shipper may ~~increase~~ amend its Provided Level of Credit Support by submitting a form to the Transporter specifying:

- (a) the reduction in, or the additional value of 1 Provided Level of Credit Support and the resulting total Provided Level of Credit Support;
- (b) the means by which the Provided Level of Credit Support is being provided, including the value of any Unsecured Credit Support and the duration of any time-limited component of the Provided Level of Credit Support; and
- (c) the Shipper's requested split of the Provided Level of Credit Support between the STPLCS and the OCPLCS ~~(provided always that the STPLCS must not be less than the STRLCS_{min} as determined in accordance with section 18.3.10); and,~~
- (d) the Shipper's requested split of the STPLCS between IP Entry Points,

~~provided always that the STPLCS must not be less than the STRLCS_{min} as determined in accordance with sections 18.3.10 and 18.3.11.~~

in the Prescribed Form (a "PLCS Adjustment Form"). provided always that the STPLCS must not be less than the STRLCS_{min} as determined in accordance with sections 18.3.10 and 18.3.11.

18.6.~~69~~ If at any time a Shippers' Provided Level of Credit Support exceeds its Required Level of Credit Support and it has not specified the split of Provided Level of Credit Support between the STPLCS and the OCPLCS in accordance with: ~~sections 18.6.2(c) or 16.6.5(e)~~

(a) sections 18.6.2(c) and 18.6.2(d); or

(b) sections 18.6.8(c) and 18.6.8(d).

the Transporter shall deem the Provided Level of Credit Support to be split in the proportion to the ratio of the Shippers' Forecast Short Term Charges (in respect of each IP Entry Point) and Forecast Other Charges and update the Capacity Platform accordingly.

18.6.10 Pursuant to section 18.8.1 or otherwise, where at any time a Shipper has a concurrent Required Level of Credit Support for Gas Year Y and for Gas Year Y+1, a Shipper's Provided Level of Credit Support shall be deemed by the Transporter to have been placed in respect of Gas Year Y and any excess Provided Level of Credit Support shall be deemed to have been placed in respect of Gas Year Y+1, unless otherwise notified by the Shipper in writing.

18.7 Determination of whether the Required Level of Credit Support has been established

18.7.1 The Required Level of Credit Support shall be established when the Transporter:
(a) verifies the information provided in the PLCS Form or PLCS Adjustment Form; and
(b) is satisfied that Provided Level of Credit Support at least equal to the Required Level of Credit Support has been placed.

Such ~~verification determination~~ may take up to 105 Business Days.

18.7.2 A Shipper or Prospective Shipper whose Provided Level of Credit Support is less than its Required Level of Credit Support from time to time (including where the Transporter makes a determination to that effect) ~~following a re-assessment under section 18.8.1 or section 18.8.2~~ shall, within 105 Business Days from the issue of ~~such notice~~ Revised RLCS Form by the Transporter, provide such additional security as is required to meet the Required Level of Credit Support, failing which (a "Level of Provided Credit Default", or "LPC Default") the Transporter may exercise any rights which are or become available to it under section 18.9.2 and, in the case of:

- (a) a Prospective Shipper, its Credit Application shall be rejected; and
- (b) a Shipper, the Transporter shall convene a meeting of the Credit Committee in accordance with section 18.10.1(c).

Placement of the STPLCS on the Capacity Platform

18.7.3 Monitoring of the STPLCS shall be carried out on the Capacity Platform by the Capacity Platform Operator and such activity is not within the scope of the Delphi System.

18.7.4 Each September, where a Shipper has Forecast Short Term Charges, following receipt of a PLCS Form submitted in accordance with section 18.6.2 and once the Transporter is satisfied that a Required Level of Credit Support has been established in accordance with section 18.7.1, the Transporter shall record the amount of the STPLCS on the Capacity Platform within 5 Business Days.

18.7.5 If, at any time during a Gas Year, the Transporter

(a) receives a PLCS Adjustment Form from a Shipper; ~~or~~

(b) otherwise determines that the STPLCS recorded on the Capacity Platform should be updated;

the Transporter shall, once it is satisfied that the Required Level of Credit Support has been established by the Shipper, update the Capacity Platform with the revised STPLCS within 5 Business Days.

18.7.6 The Capacity Platform Operator shall monitor the value of the STPLCS and the value of a Shipper's Bids in any given Auction of Short Term Capacity Products ("**Short Term Auction**") and determine (in accordance with the CPO Rules and Processes) whether or not the value of the STPLCS constitutes a sufficient Provided Level of Credit Support for a Shipper's Bids in a Short Term Auction in accordance with sections 2.8.24 or 2.9.14 as applicable.

18.7.7 Where in any Short Term Auction a Shipper's STPLCS does not constitute a sufficient Provided Level of Credit Support for any particular Bid, such Bid and any further Bids in any Short Term Auction may be rejected by the Capacity Platform Operator, acting pursuant to section 2.6.3, until such time as:

(a) the Shipper notifies the Transporter that it wishes to increase its STPLCS in accordance with section ~~18.6.5~~ 18.6.8;

(b) the Transporter is satisfied that sufficient STPLCS is established in accordance with section 18.7.1; and

(c) the Transporter updates the Capacity Platform with the revised STPLCS in accordance with section 18.7.5.

18.7.8 The Transporter shall not monitor, and has no obligation to monitor, whether or not Bids are rejected on the Capacity Platform pursuant to section 18.7.7.

18.7.9 Any Bid rejection by the Capacity Platform Operator under sections 2.8.25 or 2.9.15 shall be final and binding.

18.8 Reassessment of Required Level of Credit Support and Provided Level of Credit Support

Monthly Reassessments

18.8.1 By the 15th Business Day in each Month, the Transporter shall carry out a reassessment (a "**Monthly Reassessment**") of the Required Level of Credit Support and the Provided Level of Credit Support in respect of each Shipper. For such Monthly Reassessment, in respect of the relevant Credit Period, the Transporter shall:

(a) confirm that any invoices falling due in accordance with section 17 have been paid;

- (b) recalculate the remaining Forecast Postalised Charges and the Forecast PS Code Charges for the Credit Period;
- (c) redetermine the Required Level of Credit Support for the Credit Period in accordance with section 18.3;
- (d) review the Provided Level of Credit Support and determine whether the Required Level of Credit Support has been established in accordance with section 18.7.1,

and for the purposes of updating the STPLCS recorded on the Capacity Platform, at the Monthly Reassessment in July and August in any given Gas Year Y, the Transporter shall make an initial estimate of a Shipper's STRLCS_{min} for Gas Year Y+1 ("Initial STRLCS_{min} Estimate") in accordance with section 18.3, based on the best available information to the Transporter and sections 18.1.12 and 18.6.10 shall apply.

Reassessments at any other time

18.8.42 The Transporter will re-assess a Shipper's Required Level of Credit Support in any of the following circumstances:

- (a) annually by no later than the 10th Business Day in August;
- (b) a Shipper gaining an additional Exit Point Registration or an additional IP Registration;
- (c) a Shipper seeking to acquire additional Exit Capacity from the Transporter;
- (d) a Shipper's ~~Total Actual Commodity Quantity~~ total Forecast Postalised Charges and Forecast PS Code Charges exceeding the level ~~it estimated~~ indetermined on the basis of its Credit Application including, for the avoidance of doubt, as a result of changes in the Rolling Average PS Code Charge;
- (e) the Credit Committee directing the Transporter to make a re-assessment; or
- (f) on request (by way of a revised Credit Application) from that Shipper at any time.

18.8.23 The Transporter will re-assess a Shipper's Provided Level of Credit Support in any of the following circumstances:

- (a) annually by no later than the 5th Business Day in September;
- (b) in the event of any form of Unsecured Credit Support being disallowed by the Credit Committee;
- (c) a period of 1 month before the expiry of a guarantee or any form of Secured Credit Support provided by or for such Shipper unless, before the start of such period, that guarantee or Secured Credit Support is renewed to the satisfaction of the Transporter on substantially the same terms for an extended term;

- (d) a downgrading in the Shipper's, its guarantor's or any issuer of a letter of credit's credit rating or there being a material adverse change in the Shipper's, its guarantor's or any issuer of a letter of credit's Accounting Ratios from time to time;
- (e) the Credit Committee directs the Transporter to make a re-assessment; or
- (f) where a Shipper submits ~~a PLCS Form or~~ a PLCS Adjustment Form at any time within the Gas Year.

18.8.34 Such re-assessments of a Shipper's Required Level of Credit Support and Provided Level of Credit Support shall be conducted in accordance with the preceding provisions of this section 18 as if a new Credit Application were submitted on the date of occurrence of any of the events specified in section 18.8.

18.8.5 If at any time, the Transporter assesses that the Provided Level of Credit Support is less than the Required Level of Credit Support (including pursuant to this section 18.8) then the Transporter shall request additional Provided Level of Credit Support in accordance with section 18.4.2.

18.9 Drawing on credit support

18.9.1 If there is a downgrading in credit rating as described in section ~~18.8.2(d)~~ 18.8.3(d), the relevant Shipper shall (if the Transporter determines that the Shipper's Provided Level of Credit Support is less than the Required Level of Credit Support) comply with its obligations under section 18.7.2.

18.9.2 The Transporter shall be entitled to make a demand up to the full amount under a letter of credit referred to in section ~~18.5.4(d)~~ A18.1(d) or a guarantee referred to in section ~~18.5.4(b)~~ A18.1(b) or ~~18.5.4(d)~~ A18.1(d) or draw on cash deposits referred to in section ~~18.5.4(e)~~ A18.1(c) in any of the following circumstances:

- (a) a non-payment of any amount due by the relevant Shipper under the Code in respect of PS Transmission Amounts (a **"Transmission Amounts Default"**, or an **"TA Default"**); or
- (b) a non-payment of any amount in respect of PS Code Charges due by the relevant Shipper under the Code (a **"Code Charges Default"**, or an **"CC Default"**); or
- (c) the issuer of the guarantee or letter of credit ceases to hold the minimum credit rating specified in section ~~18.5.4(b)~~ A18.1(b) or ~~18.5.4(d)~~ A18.1(d) respectively and the Shipper does not comply with its obligations under section 18.7.2; or
- (d) if:
 - (i) a guarantee referred to in section ~~18.5.4(b)~~ A18.1(b) or ~~18.5.4(d)~~ A18.1(d) or a letter of credit has been delivered for a Shipper pursuant to the Code; and
 - (ii) such guarantee or letter of credit (or replacement or extension thereof) has a scheduled expiry date earlier than the date which falls 50 days after the end of the period for which IP Capacity or Exit Capacity has been booked by the Shipper; and

- (iii) the Shipper fails to procure that, not later than 1 month prior to the scheduled date of expiry of such guarantee or letter of credit (or of any replacement or extension), the Transporter is the beneficiary of such level of Secured Credit Support as is (when aggregated with the part of the relevant Shipper's Required Level of Credit Support which at that time is met through the provision of Unsecured Credit Support) equal to the Shipper's Required Level of Credit Support,

always provided that if a demand is made under section 18.9.2(a) or (b) above, such demand may not exceed the amount of the relevant non-payment.

18.9.3 The Transporter shall procure that the amount paid under a guarantee or letter of credit following any demand thereunder and where applicable, the relevant amount of a deposit held in accordance with section ~~18.5.4(e)~~A18.1(c):

- (a) in respect of PS Transmission Amounts shall be paid into the PoT Account (except in the case of the Stranraer Shipper in which case such amount shall be paid into the Transporter's Account);
- (b) in respect of Outstanding PS Code Charges shall be paid into the NI Postalised Network Disbursement Bank Account;

unless such amount exceeds (the amount of any such excess, being the "**Excess Amount**") the PS Transmission Amounts and/or Outstanding PS Code Charges overdue for payment by the Shipper at the time of such payment, in which case an amount equal to the overdue PS Transmission Amounts shall be paid into the PoT Account and/or in the case of Outstanding PS Code Charges an amount equal to the Outstanding PS Code Charges shall be paid into the NI Postalised Network Disbursement Bank Account.

18.9.4 Any Excess Amount shall be paid into a designated bank account of the Transporter in accordance with section 18.9.5

18.9.5 For the purposes of section 18.9.4:

- (a) the Transporter shall procure that any balance of an Excess Amount which remains after the making of the payment described in section 18.9.3 shall be credited to an interest bearing account of the Transporter in the United Kingdom (which may include other Shipper's Excess Amounts);
- (b) such Excess Amount (and all interest thereon) shall be held on trust by the Transporter for the benefit of the Shipper and the Transporter in accordance with the provisions of this section 18.9.5;
- (c) the Transporter shall be entitled to withdraw all or part of the Excess Amount and apply the same in each of the circumstances where the Transporter would otherwise have been entitled to make a demand under a letter of credit or guarantee pursuant to section 18.9.2 had such an instrument been issued in its favour at such time but in no other circumstances.
- (d) if notwithstanding section 18.9.5(c) the Transporter withdraws all or part of the Excess Amount other than in such circumstances, the Transporter shall reimburse the same to the Shipper on demand, with interest at BoEBR plus 1% from the date of withdrawal to the date of such reimbursement;

- (e) if at any time at which monies are so held by the Transporter on trust for the Shipper pursuant to this section 18.9.5 the Shipper provides to the Transporter a guarantee, a cash deposit or a letter of credit for the amount then held on such trust which conforms with the provisions of section ~~18.5.4(b)~~A18.1(b), ~~18.5.4(c)~~A18.1(c) or ~~18.5.4(d)~~A18.1(d) respectively, then the Transporter shall return to the Shipper all monies then so held by the Transporter on such trust;
 - (f) if at any time following a Shipper ceasing to be a Party to this Code there are no amounts due and payable by the Shipper which are unpaid and no Party to the Code remains under any obligation actual or contingent the observance or performance of which would give rise to an obligation on the Shipper to make a payment under the Code any monies then held by the Transporter on trust pursuant to this section 18.9.5 shall be returned to the Shipper; and
 - (g) the perpetuity period under the rule against perpetuities, if applicable to any trust arising pursuant to this section, shall be the period of 125 years from the date of such trust arising.
- 18.9.6 For the avoidance of doubt, the Transporter is entitled to recover monies in respect of Outstanding PS Code Charges in accordance with section 17.7.

18.10 Credit Committee

- 18.10.1 Without limitation to any Party's rights and obligations to call meetings of the Credit Committee under other sections of this Code, the Transporter shall convene a Credit Committee meeting if any Shipper defaults in any of the following circumstances:
- (a) an TA Default;
 - (b) an CC Default; and/or
 - (c) if an LPC Default occurs in relation to that Shipper;
- provided that in the event of an TA Default or an CC Default, at the sole discretion of the Transporter, the Transporter may first take any reasonable steps it sees fit to seek satisfactory resolution of the TATP Default or CC Default by the defaulting Shipper and defer convening a Credit Committee meeting by no more than 5 Business Days to allow for such resolution.
- 18.10.2 If the Transporter or a Shipper reasonably believes that a Shipper or Prospective Shipper should not be allowed to provide or to continue to provide any or all of its Provided Level of Credit Support by way of Unsecured Credit Support on the basis that allowing such support by such means would result in an unacceptable material increase in risk to the economic security of the Postalised System (an "**US Default**"), the Transporter may at any time, or shall upon receipt of a written request from a Shipper, call a Credit Committee meeting to propose that the Credit Committee give a Direction disallowing that Shipper or Prospective Shipper from being able to provide all or any of its Provided Level of Credit Support by way of Unsecured Credit Support.
- 18.10.3 If the Transporter or a Shipper reasonably believes that failure by the Transporter to re-assess a Shipper's Required Level of Credit Support and/or Shipper's Provided Level of Credit Support would result in an unacceptable material increase in risk to the security of the Postalised System, the Transporter may at any time, or shall upon receipt of a written

request from a Shipper, call a Credit Committee meeting to propose that the Credit Committee give a Direction requiring such re-assessment.

- 18.10.4 The Transporter and each Shipper shall use reasonable endeavours to ensure that the Credit Committee shall operate and shall conduct itself in accordance with the Terms of Reference.
- 18.10.5 The Transporter and each Shipper shall promptly and fully comply with all Directions of the Credit Committee (including but not limited to the execution of any documents and performance of any actions required for the enforcement of any security provided by the Shipper, if instructed in the relevant Direction) provided that, where such Directions require the approval of the Authority, such approval has been given expressly in writing.

18.11 Duty to provide forecasts and information

- 18.11.1 A Shipper shall provide the forecasts and information detailed in a Credit Application under this section 18 to the Transporter and such forecasts and information shall be utilised in relation to the calculation of a Shipper's Required Level of Credit Support in accordance with this section 18.
- 18.11.2 A Shipper shall use its reasonable endeavours to ensure that all forecasts and information supplied in accordance with section 18.11.1 are as accurate as possible having regard to the information and forecasts available to that Shipper and shall provide with such forecasts a full breakdown and reasoning as to how it has calculated those forecasts.

A18: Annex to Section 18 – Acceptable forms of Credit Support

Acceptable forms of credit support

A18.1~~18.5.4~~ A Shipper or a Prospective Shipper may elect to place credit support in any one or more of the following ways:

- (a) subject to section ~~18.5.7~~ A18.4, provision of security by way of "long term" Baa or higher investment grade rating as defined by Moody's, an Equivalent Rating from an Equivalent Agency, or, if the Securer does not hold a credit rating by way of an Equivalent Rating based on the Accounting Ratios specified in section ~~18.5.9~~ A18.6;
- (b) subject to section ~~18.5.7~~ A18.4, provision of security given by way of guarantee from a Government or other entity (which entity is empowered to give such guarantee) in each case holding at least a "long term" Baa investment grade as defined by Moody's, an Equivalent Rating from an Equivalent Agency, or, if the Securer does not hold a credit rating by way of an Equivalent Rating based on the Accounting Ratios specified in section ~~18.5.9~~ A18.6, which guarantee must, in any event, be given substantially in the form of the guarantee set out in Appendix 5 and, if so requested by the Transporter, be supported by a Legal Opinion, or by way of the relevant Government or other entity, being a party to the relevant Accession Agreement with payment obligations in respect of the entire consideration and other liabilities there under and under the Code;
- (c) provision of security given by way of a cash deposit which shall be:
 - (i) paid into a designated bank account of the Transporter in the United Kingdom (which may include other Shipper's cash deposits);
 - (ii) held on trust by the Transporter for the benefit of the Shipper and the Transporter in accordance with the provisions of this section ~~18.5.4(e)~~ A18.1(c);
 - (iii) used by and revert in title to the Transporter in the event of Shipper default in accordance with section 18.9.2 to the extent of amounts accrued and due to the Transporter from the Shipper (whether or not invoiced);
 - (iv) repaid in full to the Shipper (to the extent not used by the Transporter pursuant to section 18.5.4 (c) (iii) ~~A1(c)(iii)~~ above) in the event that:
 - (a) an alternative Provided Level of Credit Support is placed by the Shipper in accordance with the terms of this section ~~18.5~~ Annex A18 and the Transporter subsequently determines that the Required Level of Credit Support has been established; or
 - (b) the Shipper ceases to be a Party to this Code and there are no amounts due and payable by the Shipper which are unpaid and no Party to the Code remains under any obligation actual or contingent the observance or performance of which would give rise to an obligation on the Shipper to make a payment under the Code;

(v) the perpetuity period under the rule against perpetuities, if applicable to any trust arising pursuant to this section, shall be the period of 125 years from the date of such trust arising.

(d) provision of security given by way of a guarantee or irrevocable standby letter of credit issued by a UK branch of a financial institution with a long term credit rating of not less than A3 as defined by Moody's or an Equivalent Rating from an Equivalent Agency, issued in favour of the Transporter in the form set out in Appendix 5 parts I and II respectively or such other form as the Transporter may agree and, if so requested by the Transporter, security given by way of a guarantee shall be supported by a Legal Opinion;

where "Equivalent Agency" means Fitch, IBCA, or Standard and Poors and "Equivalent Rating" shall be construed accordingly.

Secured and Unsecured Credit

~~18.5.5~~ **A18.2** Security given by way of any of the methods described in section 18.5.4 (a) ~~A18.1(a)~~ or section 18.5.4 (b) ~~A18.1(b)~~ is "Unsecured Credit Support", and security given by way of any of the methods described in section 18.5.4 (c) ~~A18.1(c)~~ or section 18.5.4 (d) ~~A18.1(d)~~ is "Secured Credit Support".

~~18.5.6~~ **A18.3** For the avoidance of doubt:

(a) a Shipper may use more than one of the methods in section 18.5.4 ~~A18.1~~ to place its' Provided Level of Credit Support provided that the total value of security placed is at least equal to its' Required Level of Credit Support; and

(b) a Provided Level of Credit Support may be placed using both Secured Credit Support and Unsecured Credit Support subject to sections 18.5.7 ~~A18.4~~, 18.5.8 ~~A18.5~~ and 18.5.16 ~~A18.13~~.

Maximum Allowed Unsecured Credit

~~18.5.7~~ **A18.4** The maximum amount of credit which the Transporter may grant to a Shipper or Prospective Shipper based on Unsecured Credit Support ("Maximum Allowed Unsecured Credit") shall be limited to a value equal to the lower of:

(a) 10% of the Securer's Net Assets; and

(b) either:

(i) the amount listed in the table set out in section 18.5.8 ~~A18.5~~ under the column heading "Maximum Allowed Unsecured Credit" on the row corresponding to that Securer's credit rating; or

(ii) the amount listed in the table set out in section 18.5.8 ~~A18.5~~ under the column heading "Maximum Allowed Unsecured Credit" on the row corresponding to that Securer's Notional S&P Credit Rating as determined by the Transporter in accordance with section 18.5.10 ~~A18.7~~.

where the “**Securer**” is the Shipper or Prospective Shipper (whichever is applicable) if the Unsecured Credit Support is provided under section ~~18.5.4(a)~~**A18.1(a)**, or the guarantor if the Unsecured Credit Support is provided under section ~~18.5.4(b)~~**A18.1(b)**.

~~18.5.8~~**A18.5** Maximum Allowed Unsecured Credit shall be determined in accordance with the following table:

<u>Moody's Credit Rating</u>	<u>Standard & Poor Credit Rating</u>	<u>Fitch</u>	<u>Maximum Allowed Unsecured Credit (£)</u>
<u>Aaa</u>	<u>AAA</u>	<u>AAA</u>	<u>30,000,000</u>
<u>Aa</u>	<u>AA</u>	<u>AA</u>	<u>22,000,000</u>
<u>A</u>	<u>A</u>	<u>A</u>	<u>16,000,000</u>
<u>Baa</u>	<u>BBB</u>	<u>BBB</u>	<u>10,000,000</u>

and numerical or other modifiers to Moody's Credit Rating, Fitch's Credit Rating or Standard & Poor's Credit Rating shall be disregarded.

~~18.5.9~~**A18.6** Unsecured Credit Support provided by a Securer under sections ~~18.5.4(a)~~**A18.1(a)** and/or section ~~18.5.4(b)~~**A18.1(b)** by way of Accounting Ratio shall be assigned a Notional S&P Credit Rating in accordance with the following tables and section ~~18.5.10~~ **A18.7**:

(a) Ratio ranges for Transmission Utilities

<u>Ratio ranges for Transmission Utilities</u>			
<u>Accounting Ratio</u>	<u>Notional S&P Credit Rating</u>		
	<u>AA</u>	<u>A</u>	<u>BBB</u>
<u>FFO Interest Coverage</u>	<u>above 3.3</u>	<u>above 2.0 to 3.3</u>	<u>1.5 to 2.0</u>
<u>FFO to Total Debt (%)</u>	<u>above 15</u>	<u>above 10 to 15</u>	<u>5 to 10</u>

(b) Ratio ranges for Distribution Utilities and Supplier Utilities

<u>Ratio ranges for Distribution Utilities and Supplier Utilities</u>			
<u>Accounting Ratio</u>	<u>Notional S&P Credit Rating</u>		
	<u>AA</u>	<u>A</u>	<u>BBB</u>
<u>FFO Interest Coverage</u>	<u>above 5.0</u>	<u>above 3.0 to 5.0</u>	<u>2.0 to 3.0</u>
<u>FFO to Total Debt (%)</u>	<u>above 28</u>	<u>above 15 to 28</u>	<u>8 to 15</u>

(c) Ratio ranges for Integrated Utilities

<u>Ratio ranges for Integrated Utilities</u>			
<u>Accounting Ratio</u>	<u>Notional S&P Credit Rating</u>		
	<u>AA</u>	<u>A</u>	<u>BBB</u>
<u>FFO Interest Coverage</u>	<u>above 3.8</u>	<u>above 2.7 to 3.8</u>	<u>1.7 to 2.7</u>
<u>FFO to Total Debt (%)</u>	<u>above 20</u>	<u>above 15 to 20</u>	<u>7 to 15</u>

(d) Ratio ranges for Generation Utilities

Ratio ranges for Generation Utilities			
Accounting Ratio	Notional S&P Credit Rating		
	AA	A	BBB
FFO Interest Coverage	above 5.5	above 3.9 to 5.5	2.5 to 3.9
FFO to Total Debt (%)	above 35	above 20 to 35	10 to 20

(e) In this Code:

- (i) “FFO Interest Coverage” means the ratio of profit after tax from continuing operations plus depreciation, amortisation, deferred income taxes and other non-cash items and gross interest, to gross interest (including inter-company interest whether or not paid); and
- (ii) “FFO to Total Debt” means the profit after tax from continuing operations plus depreciation, amortisation, deferred income taxes and other non-cash items divided by total debt (including all inter-company debt), expressed as a percentage.

~~18.5.10~~A18.7 The Transporter, acting reasonably, and taking into account a Securer’s submissions under section ~~18.511(e)~~A18.8(c), shall decide which Utility Categorisation applies to the Securer, shall reference the applicable table in section ~~18.5.9(a)~~A18.6(a), (b), (c) or (d) accordingly and:

- (a) in the event that both the FFO Interest Coverage ratio and the FFO to Total Debt ratio for that Securer yield values that fall within the ranges listed under the same Notional S&P Credit Rating column value, shall ascribe to the Securer that Notional S&P Credit Rating; or
- (b) in the event that the FFO Interest Coverage ratio and the FFO to Total Debt ratio for that Securer yield values that do not fall within the ranges listed under the same Notional S&P Credit Rating, shall ascribe to the Securer that Notional S&P Credit Rating that will yield the lower Maximum Allowed Unsecured Credit value.

~~18.5.11~~A18.8 A Securer providing, or intending to provide Unsecured Credit Support by way of an Accounting Ratio, shall provide the Transporter with the following information at the same time as, and each time that, it provides the Transporter with a Credit Application:

- (a) its most recently published set of annual audited accounts;
- (b) calculations of the Accounting Ratios specified in section ~~18.5.9~~A18.6 cross referenced to such accounts;
- (c) a submission requesting one of the Utility Categorisations in section ~~18.5.9~~A18.6 to be applied to it, based on the information set out in its annual audited accounts; and
- (d) any other information that the Transporter might reasonably request.

~~18.5.12~~A18.9 The Transporter shall provide to each Shipper and to the Authority on the request of the Credit Committee and on the demand of any Shipper within 10 Business Days, a list of all Shippers that meet some or all of their Required Level of Credit Support through the provision of Unsecured Credit Support detailing the form of that Unsecured Credit Support,

the extent to which it is provided and any information provided along with the Credit Application by each such Shipper.

~~18.5.13~~**A18.10** The Transporter may at any time, or shall upon receipt of a written request from a Shipper, call a Credit Committee meeting in accordance with section 18.10.2, to request that a Shipper or Prospective Shipper be disallowed from satisfying all or any part of its Required Level of Credit Support through the provision of all or any form of Unsecured Credit Support.

~~18.5.14~~**A18.11** Where a Shipper provides any form of Unsecured Credit Support as security it shall notify the Transporter immediately of any downgrading of the Securer's credit rating or material adverse change in the Securer's Accounting Ratios or any event of which it becomes aware which is likely to result in such downgrading or change from time to time.

~~18.5.15~~**A18.12** If the Maximum Allowed Unsecured Credit permitted under section ~~18.5.7~~**A18.4** is less than the Required Level of Credit Support notified to the Shipper in accordance with section 18.4, the Shipper shall provide an amount of Secured Credit Support equal to at least the difference between those two figures.

Maximum allowed secured credit

~~18.5.16~~**A18.13** The maximum amount of credit which the Transporter may grant to a Shipper or Prospective Shipper based on Secured Credit Support shall be limited to the value of the Secured Credit Support.

Amend or add terms in Appendix 1 to read as follows:

“Credit Period”	has the meaning given to it in section 18.3.1(h) <u>18.1.1(e)</u> ;
“Equivalent Agency”	has the meaning given to it in section 18.5.4 <u>Annex A18.1</u> ;
“Equivalent Rating”	has the meaning given to it in section 18.5.4 <u>Annex A18.1</u> ;
“FFO Interest Coverage”	has the meaning given to it in section 18.5.9(e)(i) <u>Annex A18.6(e)(i)</u> ;
“FFO to Total Debt”	has the meaning given to it in section 18.5.9(e)(ii) <u>Annex A18.6(e)(ii)</u> ;
“Forecast Aggregate Throughput”	has the meaning given to it in section 18.3.1(k) <u>18.3.1(l)</u> ;
“Forecast Average Throughput”	has the meaning given to it in section 18.3.1(h) <u>18.3.1(m)</u> ;
“Forecast DBEP Nominations”	has the meaning given to it in section 18.3.1(j) <u>18.3.1(k)</u> ;
“Forecast IP Entry Nominations”	has the meaning given to it in section 18.3.1(i) <u>18.3.1(h)</u> ;
“Forecast Other Charges”	has the meaning given to it in section 18.3.8(b) <u>18.3.9(b)</u> ;
<u>“Forecast Reconciliation Payment”</u>	<u>has the meaning given to it in section 18.3.1(n);</u>
“Forecast Trade Buy Nominations”	has the meaning given to it in section 18.3.1(j) <u>18.3.1(i)</u> ;
“Forecast Trade Sell Nominations”	has the meaning given to it in section 18.3.1(k) <u>18.3.1(j)</u> ;
<u>“Initial STRLCS_{min} Estimate”</u>	<u>has the meaning given to it in section 18.8.1;</u>
“Maximum Allowed Unsecured Credit”	has the meaning given to it in section 18.5.7 <u>Annex A18.4</u> ;
<u>“Monthly Reassessment”</u>	<u>has the meaning given to it in section 18.8.1;</u>
“Notional S&P Credit Rating”	means a credit rating assigned to a Shipper in accordance with section 18.5 <u>Annex A18</u> ;
“PLCS Adjustment Form”	has the meaning given to it in section 18.6.5 <u>18.6.8</u> ;
<u>“Revised RLCS Form”</u>	<u>has the meaning given to it in section 18.4.2;</u>
<u>“Rolling Average PS Code Charges”</u>	has the meaning given to it in section 18.3.1(a);

“Secured Credit Support” has the meaning given to it in ~~section 18.5.5~~ Annex A18.2;

“Securer” has the meaning given to it in ~~section 18.5.7~~ Annex A18.4;

“Unsecured Credit Support” has the meaning given to it in ~~section 18.5.5~~ Annex A18.2;

Amend Appendix 5 section headers to read as follows

APPENDIX 5

PROFORMA DOCUMENTS

Part I - Form of Guarantee

(~~section 18.5.4 (b)~~Annex A18.1(b))

Part II - Form of Letter of Credit

(~~section 18.5.4 (d)~~Annex A18.1(d))
