

Initial Modification Report No.3

Credit Section Update

11th April 2018

Please find below Initial Modification Report No.3 to the NI Network Gas Transmission Code raised by the Transporter as required under Sections 2 and 3 of the Code Modification Rules.

A Description of the nature and purpose of the modification

This proposal is being made to update the credit section of the NI Network Gas Transmission Code, to amend the timescales for the provision of forecast information for the purposes of calculating credit, and to address a number of drafting issues identified over the last year. At the end of last year, the Utility Regulator approved Modification No.2 which brought forward the timescales for provision of Shipper forecast information so that tariffs could be determined earlier in the year and ahead of the Annual IP Entry Capacity Auctions in July. Shipper's forecast information will now be collected by the Transporter (for tariff calculation purposes) by the end of February each year.

To date this same information has been used to determine Shipper's credit requirements for the following year, but clearly moving the information gathering process earlier in the year means that there is a greater chance of inaccuracy when it comes to determining credit requirements. This proposal is therefore to separate the process of applying for Credit from the information gathering for the purposes of tariff calculation.

The Transporter has also taken the opportunity to make some other updates which have been identified during the process of producing the NI Network Transmission Code, including removing bonds as an acceptable form of security, updating the terms for the provision of cash deposits, and to overhaul the drafting of the section to provide a new introductory section and improve clarity and consistency in a number of areas. Shippers are invited to comment on any aspect of the proposals.

Please see section G for more details.

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 this modification. This change will support the economic and efficient operation of the network by ensuring that the Shipper information required to determine their credit requirements can be collected as close as practicable to the start of the new gas year.

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

This proposal primarily amends section 18, with some minor changes to other paragraphs in the Code, the Code Credit Rules and the forms of guarantee in the Appendices.

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 has concluded as follows:

Operation of the networks of the Designated Pipeline Operators: No impact

Adjacent Transporters: No impact

Relevant NI Agreements: No impact

E The date proposed for implementation

The Transporter proposes that this Modification should take effect from 1st June 2018.

F How to Respond

Please send responses no later than 10th May 2018 to:

Stephen English: Stephen.English@gmo-ni.com
Gas Market Operator for Northern Ireland
4th Floor,
The Arena Building
85 Ormeau Road
Belfast
BT7 1SH

G Credit Section Updates

Timescales for Information Provision, Tariff Publication and Credit Applications

In January, the Code was modified to support EU compliance on the publication of tariffs for the forthcoming Gas Year. The EU Tariff Regulation (EU 2017/460) requires that tariffs must be published on or before 31st May. To enable this, the Utility Regulator amended the Transporter Licences to require the collection of Shipper forecast information for tariff calculations earlier in the year. Modification No.2 was implemented, moving the Shipper Forecast Information Request process to January, with the form required to be submitted to the Transporter by the last Business Day in February.

To date, the same information has been used to determine a Shipper's Credit Application. The Transporter is now proposing to separate the Credit Application Process from the Shipper Forecast Information Request process, as outlined in the table below, to enable more up-to-date information to be utilised.

Activity	Current Requirement	Proposed Requirement	Comment
Transporter issues Shipper Forecast Information Request	By 10 th Business Day in January	No change	Changed in Mod. No.2 5 years of forecast information required
Shipper submits Shipper Forecast Information Request	By last Business Day in February	No change	Changed in Mod. No.2
Transporter submits forecasts to the Utility Regulator for tariff calculation	By 15 th Business Day in March	No change	Changed in Mod. No.2 to support amended Transporter Licences Requirement
Transporter issues Credit Application	Not currently a separate requirement, so 10 th Business Day in January	To be issued by 1 st Business Day in June	This change is to separate the processes for tariff calculation and credit
Shippers submit Credit Application for the year ahead	By last Business Day in February (Shipper Forecast Information Request also treated as a Credit Application)	Separate Credit Application to be submitted by 10 th Business Day in July	Forecast information for 1 year only will be required on the Credit Application Form
Transporter determines Required Level of Credit and notifies Shipper	By no later than 10 th Business Day in August	No change	It is only the timing of the information gathering process/Credit Application which is being amended
Shippers must place Provided Level of Credit	By no later than the 3 rd Business Day in September	No change	Timescale remains as close to the start of the Gas Year as practicable

Other Changes

In reviewing the drafting of the Credit Section, the Transporter has concluded that it would benefit from an overhaul to improve clarity and for consistency with other areas of the Code which have been re-drafted either for EU Compliance during 2015 or as part of the production of the NI Network Gas Transmission Code. The following points outline the proposed changes, and the full text is provided in section H.

- **Bonds as Security.** No Shippers have ever utilised deposit bonds as security and the Transporter believes this reflects modern financial practice. Consequently, they propose to remove this option as a form of acceptable security.
- **Cash Deposits and Escrow Accounts:** the existing Code text refers to the creation of joint bank accounts between Shippers and the Transporter for the purposes of holding cash deposits and also for the holding of any 'Excess Amount' (residual funds in excess of the required amount in the event of a drawdown of credit). The Transporter proposes aligning the text with current practice and removing references to joint bank accounts or escrow accounts. Instead, in line with current practice, cash deposits will be acknowledged by a letter from the Transporter to the Shipper confirming receipt of the cash deposit and its purpose as security. The Code text includes relevant provisions for the holding and return of such deposits. In relation to an Excess Amount, similar updates to the Code text are proposed to clarify that any such funds are held on trust for the benefit of the Shipper and the Transporter, should the need arise.
- **New Introduction:** with the separation of the Credit Application Process, the Transporter has taken the opportunity to revise the first paragraph of the Credit section to set out the various processes in broadly chronological sequence. It is intended that this will improve the clarity of the section overall and give a summary of the processes relating to Credit, as well as providing consistency with the structure of other sections of the Code.
- **Calculation of Forecast PS Code Charges:** the existing calculation of Forecast PS Code Charges uses only a Shipper's Forecast Commodity Quantity (i.e. Exit allocations). This does not include any VRF IP Exit Allocations and does not take into account the possibility of a Shipper bringing gas in at an IP and trading it to another party at the Trading Point, and therefore having a zero Forecast Commodity Quantity. The Transporter therefore proposes to amend the calculation of Forecast PS Code Charges so that it is based on forecast average throughput, which should take into account any combination of nominated flows and trades a Shipper may wish to avail of. This better reflects the potential imbalance risks of each Shipper, and hence is a more appropriate basis for calculating the associated credit requirement.
- **Calculation of Average PS Code Charge:** in line with the amendments described above, it is appropriate to amend the calculation of the Average PS Code Charge to also reflect the average throughput of the system overall, as opposed to the total PS Code Charges incurred in the previous Gas Year divided by the total quantity of Exit Allocations. In addition, the Transporter proposes updating this calculation to reflect operational practice, so it refers to the previous 12-month period for which charges have been invoiced, as opposed to the previous Gas Year.
- **PLCS Adjustment:** this process was incorporated into the Codes in 2015 to facilitate the situation where a Shipper may wish to increase its Provided Level of Credit, for example to bid a premium in an Auction. In this case, it is not necessary for the Transporter to reassess the Required Level

of Credit. The Transporter has proposed some changes to text to make the purpose of this paragraph clearer.

- **Establishing and placing Credit:** The Transporter has reviewed the use of these terms throughout the section and proposes some changes which are intended to improve clarity and consistency. The proposed text refers only to the Required Level of Credit being 'established' once the Transporter has checked that the Provided Level of Credit has been correctly 'placed' and is sufficient.
- **Removal of Annual Update to Maximum Allowed Unsecured Credit:** The Code currently anticipates in section 18.4 that a Shipper's Maximum Allowed Unsecured Credit amount would be updated annually based on CPI. This is not performed in practice and it is problematic to determine how/when such an annual increase should be calculated relative to the values provided for in the tables in earlier in the section. The Transporter therefore proposes this requirement should be removed from the Code.
- **Calling of Credit Committee for Invoice Non-payment:** The Transporter considers that in the event of a Shipper not paying an invoice for PS Transmission Amounts invoice or PS Code Charges (which, in both cases, is formally a default under the Code) that it would generally take reasonable steps to pursue payment before necessarily calling a Credit Committee meeting, although there are some possible circumstances which would call for a meeting more urgently. It therefore proposes changes (in newly renumbered section 18.10.1) to provide for this possibility and it should be noted that this does not alter the rights of parties to call a Credit Committee meeting or for the Transporter to seek to recover Outstanding PS Code Charges from other Shippers under section 17.7.2.
- **Duty to Provide Information:** Shippers have a Licence obligation (Condition 3A.2.2.1 and 3A.2.2.2) and hence a reasonable endeavours obligation in the Code to submit the information in the Shipper Forecast Information Request to the Transporter and to ensure it is as accurate as possible. Since this Modification proposes to separate the Credit Application process, it is proposed to relocate the reference to this Licence obligation to section 16 (concerning the Shipper Forecast Information Request process), and to include in the Credit section a separate reasonable endeavours obligation to ensure that the information provided in (or supporting) a Credit Application is accurate.
- **Re-ordering of paragraphs:** The Transporter considers that it is appropriate to relocate the paragraphs on drawing down credit and the Credit Committee to later in the section, so that they come after the paragraphs on reassessment of the Required Level of Credit Support and the Provided Level of Credit Support and after the paragraph on determining that the Required Level of Credit Support has been established. The paragraph on the duration of Provided Level of Credit Support has been moved to appear earlier in the section.
- **New Sub-section headings:** have been included for clarity and ease of navigation in the section.
- **Revised Definition of Trader:** The Transporter has proposed some amendments to the definition (which appears in section 22.3.4 concerning the processes for Accession and Registration) for clarity, and these are reflected in changes in the Code text in the Credit section concerning how the Required Level of Credit for a Trader is to be determined.

- **Revised period for the payment of Code Charges Invoices by the Transporter:** At present the Code drafting in section 17.9.3(b) implies that the Transporter must make payments out of the Disbursements Account on the same day as payments in to the account are due to be received. This is problematic in practice, especially where there is a delay in payments for PS Code Charges from Shippers being received. The Transporter therefore proposes that the text should be amended in line with operational practice, and explicitly provides the Transporter with 8 Business Days following the Due Date to make any payments due to Shippers. This will avoid any issues with overdrawing the Disbursements Account which might otherwise arise.

Shippers are invited to provide their views on any aspect of the proposed text, and in particular if the removal of deposit bonds as acceptable security presents any concerns.

As a result of the relocation of certain sections, and considerable redrafting for simplification/clarity, the drafting is significantly marked up and so a clean version is provided alongside this proposal for ease of reading.

H Proposed Legal Text

Amend the contents page to read as follows:

18. CREDIT PROCEDURES

- 18.1 Introduction
- 18.2 Application for a Required Level of Credit Support of zero on accession to the Code
- 18.3 Calculation of the Required Level of Credit Support
- 18.4 Determination and Notification of the Required Level of Credit Support by the Transporter
- 18.5 Placing a Provided Level of Credit Support and Acceptable forms of Credit Support
- 18.6 Timescales for placing or updating a Provided Level of Credit Support and notifying the Transporter
- 18.7 Determination of whether the Required Level of Credit Support has been established
- 18.8 Reassessment of Required Level of Credit Support and Provided Level of Credit Support
- 18.9 Drawing on credit support
- 18.10 Credit Committee
- 18.11 Duty to provide forecasts and information

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Amend section 17.9.3 to read as follows:

17.9.3 The Transporter shall:

- (a) pay to a Shipper any balance specified in a PS Invoice in accordance with section 17.5.4 by the 8th Business Day following the Due Date; and
- (b) pay to the Shipper any balance specified in a CC Invoice in accordance with section 17.6.4 by the 8th Business Day by the Due Date.

.....
Amend section 18 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, 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.
- 18.1.2 In accordance with this section 18, a Shipper 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.
- 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) or where a Shipper requests a re-assessment pursuant to section 18.8.1 (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) 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 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 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;
- (b) the Transporter shall reassess a Shipper's Required Level of Credit Support in accordance with section 18.8.1;
- (c) the Transporter shall reassess a Shipper's Provided Level of Credit Support in accordance with section 18.8.2;
- (d) where a Shipper requests a reassessment of its Required Level of Credit Support in accordance with section 18.8.1(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:
 - (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.

Duration of Credit Support

18.1.9 The Required Level of Credit Support shall apply in respect of 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.

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 Shipper 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 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.

18.2 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) **"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 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 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.

- (i) **“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;
- (j) **“Forecast Trade Buy Nominations”** means the forecast total quantity of Trade Buy Nominations that a Shipper will submit in Gas Year Y;
- (k) **“Forecast Trade Sell Nominations”** means the forecast total quantity of Trade Sell Nominations that a Shipper will submit in Gas Year Y;
- (l) **“Forecast Aggregate Throughput”** means, in respect of a Shipper:
 - (i) the sum of the Shipper’s Forecast IP Entry 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.

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 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 on the NI Network calculated in accordance with section 18.3.7.

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.
- 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 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.

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 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 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}**”).

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 each 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 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 If for any given Gas Year Y, the Transporter forecasts, pursuant to section 18.3, that a Shipper’s Forecast Postalsised 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 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, 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

- 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, 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(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) 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) 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;

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		
	<u>AA</u>	<u>A</u>	<u>BBB</u>
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		
	<u>AA</u>	<u>A</u>	<u>BBB</u>
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		
	<u>AA</u>	<u>A</u>	<u>BBB</u>
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		
	<u>AA</u>	<u>A</u>	<u>BBB</u>
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 The Transporter, acting reasonably, and taking into account a Securer's submissions under section 18.511(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) calculations of the Accounting Ratios specified in section 18.5.9 cross referenced to such accounts;
 - (c) 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) 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 or a Shipper may, at any time, 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 those 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

18.6.1 Subject to sections 18.1.9 and 18.1.10, 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 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),

in the Prescribed Form (a "PLCS Form").

Voluntary Increases to the Provided Level of Credit - PLCS Adjustment

18.6.3 For the avoidance of doubt, where the Transporter determines the STPLCS, 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 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.

18.6.5 Where section 18.6.4 applies, a Shipper may increase its Provided Level of Credit Support by submitting a form to the Transporter specifying:

- (a) the additional value of 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),

in the Prescribed Form (a "**PLCS Adjustment Form**").

18.6.6 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 18.6.5(c), 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 and Forecast Other Charges and update the Capacity Platform accordingly.

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 verifies the information provided in the PLCS Form or PLCS Adjustment Form and is satisfied that Provided Level of Credit Support at least equal to the Required Level of Credit Support has been placed. Such verification may take up to 10 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 10 Business Days from the issue of such notice by the Transporter, provide such additional security as is required to meet the Required Level of Credit Support, failing which (an "**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 receives a PLCS Adjustment Form from a Shipper, 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;
 - (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

- 18.8.1 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 exceeding the level it estimated in its Credit Application;

- (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.

18.8.2 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.

18.8.3 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.

18.9 Drawing on credit support

18.9.1 If there is a downgrading in credit rating as described in section 18.8.2(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) or a guarantee referred to in section 18.5.4(b) or 18.5.4(d) or draw on cash deposits referred to in section 18.5.4(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 (an "**NPTP Default**"); or
- (b) a non-payment of any amount in respect of PS Code Charges due by the relevant Shipper under the Code (an "**NPCC 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) or 18.5.4(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) or 18.5.4(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(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 LIBOR 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), 18.5.4(c) or 18.5.4(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 NPTP Default;
- (b) an NPCC Default; and/or
- (c) if an LPC Default occurs in relation to that Shipper;

provided that in the event of an NPTP Default or an NPCC 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 NPTP Default or NPCC 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**”), it may, at any time, 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, it may, at any time, call a Credit Committee meeting to propose that the Credit Committee give a Direction requiring such re-assessment.
- 18.10.4 A 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.

.....
Insert the following definitions / amend the relevant definitions in Appendix 1 to read as follows:

Appendix 1

“Alternative Evidence of Credit Worthiness”	has the meaning given to it in section 18.2.2(c);
“Average PS Code Charges”	has the meaning given to it in section 18.3.1(a);
“Average Total System Aggregate Throughput”	has the meaning given to it in section 18.3.1(c);
“CC Invoice”	has the meaning given to it in section 17.6.1 and “CC Invoices” shall be construed accordingly
“Commodity Value of Trades”	has the meaning given to it in section 18.3.1(d);
“Credit Application”	has the meaning given to it in section 18.1.1(c);
“Credit Application Form”	has the meaning given to it in section 18.1.1(d);
“Credit Period”	has the meaning given it in Section 18.3.1(h);
“Equivalent Agency”	has the meaning given to it in section 18.5.4;
“Equivalent Rating”	has the meaning given to it in section 18.5.4;
“Excess Amount”	has the meaning given to it in section 18.9.3;
“FFO Interest Coverage”	has the meaning given to it in section 18.5.9(e)(i);
“FFO to Total Debt”	has the meaning given to it in section 18.5.9(e)(ii);
“Forecast Aggregate Throughput”	has the meaning given to it in section 18.3.1(l);
“Forecast Average Throughput”	has the meaning given to it in section 18.3.1(m);
“Forecast IP Entry Nominations”	has the meaning given to it in section 18.3.1(i);
“Forecast Supplier Quantity”	has the meaning given to it in section 18.3.1(e);
“Forecast Trade Buy Nominations”	has the meaning given to it in section 18.3.1(j);

“Forecast Trade Sell Nominations”	has the meaning given to it in section 18.3.1(k);
“Forecast VRF IP Exit Quantity”	has the meaning given to it in section 18.3.1(f);
“LPC Default”	has the meaning given to it in section 18.7.2;
“Maximum Allowed Unsecured Credit”	has the meaning given to it in section 18.5.7;
“Notional S&P Credit Rating”	means a credit rating assigned to a Shipper in accordance with section 18.5;
“NPCC Default”	has the meaning given to it in section 18.9.2(b);
“NPTP Default”	has the meaning given to it in section 18.9.2(a);
“OCPLCS”	has the meaning given to it in section 18.5.3;
“Provided Level of Credit Support”	has the meaning given to it in section 18.1.1(b);
“PLCS Adjustment Form”	has the meaning given to it in section 18.6.5;
“PLCS Form”	has the meaning given to it in section 18.6.2;
“Relevant 12-month Period”	has the meaning given to it in section 18.3.1(b);
“Required Level of Credit Support”	has the meaning given to it in section 18.1.1(a);
“RLCS Form”	has the meaning given to it in section 18.4.1;
“Secured Credit Support”	has the meaning given to it in section 18.5.5;
“Securer”	has the meaning given to it in section 18.5.7;
“Short Term Auction”	has the meaning given to it in section 18.7.6;
“STPLCS”	has the meaning given to it in section 18.5.2;
“Total Forecast Commodity Quantity”	has the meaning given to it in section 18.3.1(g);
“Unsecured Credit	

Support”

has the meaning given to it in section 18.5.5;

“US Default”

has the meaning given to it in section 18.10.2;

APPENDIX 5

PROFORMA DOCUMENTS

Part I - Form of Guarantee

(section 18.5.4(b))

THIS GUARANTEE is made the [] day of [] 20[] by [] a company registered in [England and Wales] [Northern Ireland] [Republic of Ireland] [Scotland] with company number [] and having its registered office at [] [and whose principal place of business is at []] (the “**Guarantor**”) in favour of:

- (i) Premier Transmission Limited a company registered in Northern Ireland (Number N.I.26421) having its registered office at First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH;
- (ii) West Transmission Limited, a company incorporated and registered in Northern Ireland with company number NI073229, having its registered office at First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH;
- (iii) Belfast Gas Transmission Limited, a company incorporated and registered in Northern Ireland with company number NI026420 having its registered office at First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH; and
- (iv) GNI (UK) Limited, a company incorporated and registered in England and Wales with company number 02827969 having its registered office at [5th Floor 6 St. Andrew Street, London, EC4A 3AE];

acting together pursuant to the terms of a CJV Agreement dated [] and SOA dated [] and referred to together in this Guarantee as “**the Transporter**”.

WHEREAS

- (A) [] a company [registered in [England and Wales] [Northern Ireland] [Republic of Ireland] [Scotland]] with company number [] and having its registered office at [] [and whose principal place of business is at []] (the “**Shipper**”) [is] [is about to become] a party to the Code (defined below) by way of [an Accession Agreement dated []] [OR][on or about the date of this Guarantee] (“**Accession Agreement**”) and] a Framework Agreement dated [] (“**Framework Agreement**”). All references in this Guarantee to the Code include [the Accession Agreement and] the Framework Agreement.
- (B) This Guarantee is made pursuant to the Code, for the purposes of providing security for indebtedness of the Shipper in respect of its payment obligations under the Code.
- (C) The Guarantor has capacity to enter into this Guarantee and has taken all steps necessary to ensure that this Guarantee is valid and binding upon it in accordance with the terms hereof.

[NOW THIS DEED WITNESSETH and the Guarantor hereby agrees] [IT IS AGREED] as follows:

1. In this Guarantee:

“**Code**” means the NI Network Gas Transmission Code prepared by the Transporter in accordance with the Licences.

“**Due Date**” has the meaning given to it in the Code;

“**Demanded Sum**” means a Demanded Overdue Sum or a Demanded Security Default Sum;

“**Demanded Overdue Sum**” means the sum specified in a written demand from the Transporter pursuant to clause 2 of this Guarantee representing the amount unpaid by the Shipper under an invoice issued in accordance with the Code by the Due Date;

“**Demanded Security Default Sum**” means the full amount of this Guarantee where the Shipper has failed to procure the provision of security replacing this Guarantee to the Transporter by the time and in the manner contemplated in sections 18.9.1 and/or 18.9.2 and/or 18.7.2 of the Code (and so that the expression “the full amount of this Guarantee” shall mean the amount stated in Clause 5, less the amounts previously paid by the Guarantor to the Transporter pursuant to this Guarantee);

“**Licences**” has the meaning given to it in the Code;

“**Payment Default**” means any failure by the Shipper to pay an amount properly due under an invoice issued in accordance with the Code by the Due Date;

“**PS Transmission Amounts**” has the meaning given to it in the Code; and

“**Security Default**” means a failure such as is referred to in the definition of Demanded Security Default Sum in this Clause 1.
2. Subject to clause 3, below, *[In consideration of the payment of £1 payable on demand by the Transporter to the Guarantor]* if and whenever there is a Payment Default the Guarantor shall, as primary obligor and not merely as surety, within [14] days of receipt of a written demand from the Transporter pay *[the Demanded Overdue Sum] [.% of the Demanded Overdue Sum]* into the following bank account:- **[Note: This will be the PoT Account in respect of overdue PS Transmission Amounts (or in the case of the Stranraer Shipper, the Transporter’s Account) or the NI Postalised Network Disbursement Account in respect of Outstanding PS Code Charges.]**
3. Notwithstanding the provisions of clause 2, if the written demand referred to in that clause is accompanied by a certificate signed by or on behalf of the Transporter stating that the Demanded Overdue Sum exceeds any PS Transmission Amounts and/or Outstanding Code Charges (as defined in the Code) which are overdue for payment by the Shipper at the time of such written demand, the Guarantor will make payment of the excess to such other account(s) as may be specified by the Transporter in such written demand.
4. *[In consideration of the payment of £1 payable on demand by the Transporter to the Guarantor, if]* If there is a Security Default, the Guarantor shall within [14] days of receipt of a written demand from the Transporter pay the Demanded Security Default Sum to such bank account of the Transporter as is specified in such written demand.
5. The Guarantor’s aggregate liability to the Transporter hereunder in respect of Demanded Overdue Sums and Demanded Security Default Sums shall not be greater than *[£.]*

6. Amounts payable by the Guarantor under this Guarantee shall be paid free of any restriction, reservation or condition and, except to the extent required by law, without deduction or withholding in respect of tax or on account of any amount due or becoming due to the Guarantor whether by way of set-off, counterclaim or otherwise provided that if any such payment is subject to any such deduction or withholding, the Guarantor shall forthwith pay to the Transporter such further amounts as may be necessary to ensure that the Transporter receives an amount equal to that which would have been received had no deduction or withholding been made.
7. This Guarantee is a continuing guarantee and shall remain in effect until *[Date.]* or until terminated by or with the consent of the Transporter *[or until the Shipper has arranged the release of the Guarantor in accordance with the provisions of the Code (which shall apply to this Guarantee as though incorporated herein)]* whichever occurs first but without prejudice to any rights then accrued under this Guarantee.
8. The obligations of the Guarantor under this Guarantee are in addition to and not in substitution for any other security which the Transporter may now or in the future hold in relation to the payment obligations of the Shipper under the Code ("**Liabilities**") or any of them and may be enforced without the Transporter first having recourse to any such security and without the Transporter first taking steps or proceedings against the Shipper.
9. Neither the obligations of the Guarantor under this Guarantee nor the rights, powers and remedies conferred upon the Transporter by this Guarantee or by law shall be discharged, impaired or otherwise affected, in whole or in part, by:-
 - (a) the winding-up, dissolution, administration or reorganisation of the Shipper or any change in its status, functions, control or ownership;
 - (b) any of the Liabilities or any of the obligations of the Shipper under the Code or any security in respect of the Liabilities being or becoming illegal, invalid or unenforceable in any respect;
 - (c) time or other indulgence being granted or agreed to be granted by the Transporter or any other person to, or any composition or other arrangement made with or accepted from (i) the Shipper in respect of the Liabilities or any of them or (ii) any person in respect of any such security;
 - (d) any amendment to, or any variation, waiver or release of any of the Code, the Liabilities or any such security;
 - (e) any failure to enforce, realise or fully to realise the value of, or any release, discharge, exchange of substitution or any such security;
 - (f) any failure (whether intentional or not) to take, or fully to take, or perfect any security now or hereafter agreed to be taken in relation to the Liabilities or any of them;
 - (g) the release of any other person under the terms of any composition or arrangement with any creditor thereof; or
 - (h) any other act, event or omission (whether or not known to the Guarantor or the Transporter) which, but for this Clause 9, would or might operate to discharge, impair or otherwise affect any of the obligations of the Guarantor under this Guarantee or any of the rights, powers

or remedies conferred upon the Transporter by law to the intent that the Guarantor's obligations under this Guarantee shall remain in full force and this Guarantee shall be construed accordingly as if there were no such act, event or omission.

10. Where any settlement or discharge (whether in respect of the obligations of the Shipper or otherwise) is made in whole or in part, or any arrangement is made on the faith of any payment, security or other disposition which is avoided or has to be repaid on bankruptcy, liquidation or otherwise without limitation, the liability of the Guarantor under this Guarantee shall continue and the Transporter shall be entitled to recover the value or amount of such obligations subsequently as if such settlement or discharge or arrangement had not occurred. The Transporter shall be entitled to concede or compromise any claim that any payment, security or other disposition is liable to avoidance or repayment.
11. Until all amounts which may be or become payable under the Code or this Guarantee have been irrevocably paid in full:-
 - (a) the Guarantor shall not as a result of this Guarantee or any payment or performance under this Guarantee be subrogated to any right or security of the Transporter or, in competition with the Transporter, claim or prove against the Shipper or any other person or demand or accept repayment of any monies or claim any right of contribution, set-off or indemnity and any sums received by the Guarantor or the amount of any set-off exercised by the Guarantor in breach of this provision shall be held by the Guarantor in trust for and shall be promptly paid to the Transporter; and
 - (b) the Guarantor shall not hold any security from the Shipper in respect of this Guarantee and any such security which is held in breach of this provision shall be held by the Guarantor in trust for and shall promptly be transferred to the Transporter.
12. The Guarantor represents and warrants to the Transporter as follows:-
 - (a) it has the power to enter into and perform, and has taken all necessary action to authorise the entry into, performance and delivery of, this Guarantee and the transactions contemplated hereby;
 - (b) this Guarantee constitutes its legal, valid and binding obligation enforceable against it;
 - (c) the entry into and performance by it of, and the transactions contemplated by, this Guarantee do not and will not:-
 - (i) conflict with any existing law or regulation or judicial or official order; or
 - (ii) conflict with its constitutional documents; or
 - (iii) conflict with any document which is binding upon it or any of its assets;
 - (d) all authorisations required to be obtained by it in connection with the entry into, performance, validity and enforceability of, and the transactions contemplated by, this Guarantee have been obtained or effected (as appropriate) and are in full force and effect;

- (e) it has not entered into this Guarantee in reliance upon, nor has it been induced to enter into this Guarantee by any representation, warranty or undertaking made by or on behalf of the Transporter (whether express or implied) which is not set out in this Guarantee.
13. Any notice to or demand on the Guarantor under this Guarantee may be delivered or sent by first class recorded delivery post or facsimile transmission to the Guarantor at its address appearing in this Guarantee or at such other address as it may have notified to the Transporter at the address for the Transporter stated in this Guarantee (or such other address as is notified by it to the Guarantor from time to time).
 14. The Transporter shall be entitled by notice in writing to the Guarantor to assign the benefit of this Guarantee at any time to any person to whom it assigns or transfers its rights under the Code without the consent of the Guarantor being required and any such assignment shall not release the Guarantor from liability under this Guarantee.
 15. The invalidity, illegality or unenforceability in whole or in part of any of the provisions of this Guarantee shall not affect the validity, legality and enforceability of the remaining part or provisions of this Guarantee.
 16. This Guarantee shall be governed by and construed in accordance with the laws of Northern Ireland and the Guarantor hereby submits to the exclusive jurisdiction of the courts of Northern Ireland *[and appoints/insert name and address of person/company registered/resident in Northern Ireland as its agent for service of notices and other communications under or relating to this Guarantee].*
 17. [The Guarantor shall be [jointly and severally liable] together with [insert name of other guarantor(s) of the Shipper] to pay [each and every Demanded Sum] [severally liable to pay to the Transporter such percentage as is specified in clause 2 or 3 of this Guarantee of each and every Demanded Sum].]

[IN WITNESS *whereof the Guarantor has caused this Guarantee to be executed as its deed the day and year first before written.]*

The Common Seal of [.] was hereunto affixed in the presence of:

[.] Director

[.] Director/Company Secretary

[Alternative if consideration included in clause 2:]

IN WITNESS whereof, this Guarantee has been executed for and on behalf of *[Guarantor]* the day and year first before written

Signature.....

Name

Position

In the presence of

Signature

Name

Position

Part II - Form of Letter of Credit
(section 18.5.4(d))

To:

- (i) Premier Transmission Limited, First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH;
- (ii) West Transmission Limited, First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH;
- (iii) Belfast Gas Transmission Limited, First Floor, The Arena Building, 85 Ormeau Road, Belfast, BT7 1SH; and
- (iv) GNI (UK) Limited, 5th Floor, 6 St. Andrew Street, London, EC4A 3AE,

acting together pursuant to the terms of a CJV Agreement dated [] [and System Operator Agreement dated []] and referred to together in this letter as “**the Transporter**”.

Date: 20[.]

- 1 We, by this letter, establish in your favour our irrevocable standby letter of credit No [.] (“**this letter of credit**”) for the account of [.] (the “**Shipper**”) available for drawing in one or more amounts. This letter of credit is issued in connection with the Shipper’s payment obligations under the NI Network Gas Transmission Code (the “**Code**”) to which the Transporter and the Shipper are [about to become] parties to by way of [an Accession Agreement dated [] [OR] [on or about the date of this letter] (“**Accession Agreement**”) and] a Framework Agreement dated [] (“**Framework Agreement**”), (together the “**Documents**” which term shall include any document, as from time to time modified, which is by virtue of such Code[,] [Accession Agreement] [or] Framework Agreement] made binding on the Shipper).
- 2 We understand that amendments or other variations or extensions may from time to time be made to the terms of the Documents and our obligations under this letter of credit, as set out below, will apply notwithstanding any such amendments or other variations or extensions provided that our maximum aggregate liability to you under this letter of credit shall not exceed [£.] and that we shall not be required to pay claims made by you under this letter of credit which are received by us after the expiry date of this letter of credit.
- 3 Subject to paragraph 4 below, we shall make all payments under this letter of credit into the following bank account:- **[Note: This will be the PoT Account in respect of overdue PS Transmission Amounts (or in the case of the Stranraer Shipper, the Transporter’s Account) or the NI Postalised Network Disbursement Account in respect of Outstanding PS Code Charges.]** on your first written demand for payment when such demand is presented to us at [.] accompanied by your certificate that the Shipper:
 - (a) has failed to meet its payment obligations under the Documents; or
 - (b) has failed to procure the provision of replacement security to you by the time and in the manner contemplated in sections 18.9.1 and/or 18.9.2 and/or 18.7.2 of the Code.

The amount of your demand under this letter of credit shall not, where your demand is accompanied by a certificate in the form described in (a) above, be greater than the total amount of sums then due and payable by the Shipper pursuant to the Documents.

- 4 Notwithstanding the provisions of paragraph 3, if the written demand referred to in that paragraph is accompanied by a certificate signed by or on your behalf stating that the amount demanded exceeds the PS Transmission Amounts and/or Outstanding PS Code Charges (as defined in the Code) which are overdue for payment by the Shipper at the time of such written demand, we will make payment of the excess under this letter of credit to such other account(s) as may be specified by you in such written demand.
- 5 This letter of credit will expire on [.] and the demand(s) and certificates(s) referred to in paragraph 3 and 4 of this letter of credit must be presented by you to us on or before that date. We undertake that all demands made in accordance with this letter of credit will be met with due honour.
- 6 This letter of credit is a transaction separate and independent from any other on which it may be based.
- 7 This letter of credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 revision) International Chamber of Commerce Publication No.500 insofar as the same are applicable (but so that Article 41 thereof shall be deemed excluded and the second sentence of Article 17 thereof shall be deemed excluded for this purpose with effect that, if this letter of credit expires during any interruption of business referred to in the first sentence of such Article, we shall remain liable to make payment under this letter of credit in respect of any demand no later than 15 Business Days (as defined in the Code) after we have notified you that our business has ceased to be so interrupted), and, to the extent not inconsistent therewith, shall be governed by and construed in accordance with the laws of Northern Ireland and in the event of any dispute relating thereto we hereby agree to submit to the exclusive jurisdiction of the Courts of Northern Ireland.
- 8 Amounts payable by us under this letter of credit shall be paid free of any restriction, reservation or condition and, except to the extent required by law, without deduction or withholding in respect of tax or on account of any amount due or becoming due to us, whether by way of set-off, counterclaim or otherwise, provided that if any such payment is subject to any such deduction or withholding, we shall forthwith pay to you such further amounts as may be necessary to ensure that you receive an amount equal to that which would have been received had no deduction or withholding been made.

Signed [.] as a duly authorised signatory for and on behalf of []

APPENDIX 6

CREDIT COMMITTEE

Terms of Reference

1. Purpose of the Committee

1.1 The Credit Committee is appointed, on behalf of the Transporter and Shippers to manage the credit risk associated with the following defaults by a Shipper (including, for the avoidance of doubt, DNOs and the Stranraer Shipper);

- (A) an LPC Default;
- (B) an NPTP Default, and/or an NPCC Default;
- (C) a Termination Default;
- (D) an Administration Default;
- (E) a US Default.

1.2 Each of the defaults referred to in paragraph 1.1 shall be a “**Default**” for the purposes of these Terms of Reference (“**Terms**”) and the relevant Shipper shall be the “**Defaulting Shipper**”.

1.3 The Credit Committee shall from time to time, when called upon in accordance with these Terms, instruct the Transporter and the Defaulting Shipper as to the steps to be taken as a consequence of or in relation to the Default in accordance with the Terms.

2. Interpretation

2.1 The following terms, when used in these Terms, except where expressly stated to the contrary or unless the context otherwise requires, shall have the corresponding meaning set out below:

“**Absent Member**” has the meaning given to it in paragraph 7.4;

“**Adjourned Meeting Notice**” has the meaning given to it in paragraph 4.3;

“**Administration Default**” has the meaning given to it in the Code;

“**Authority**” has the meaning given to it in the Code;

“**Business Days**” has the meaning given to it in the Code;

“**Business Hours**” means any time between the hours of 09:00 and 17:00 on a Business Day;

“Chairman”	has the meaning given to it in paragraph 4.1;
“Credit Committee”	means the committee formed pursuant to these Terms;
“Default”	has the meaning given to it in paragraph 1.2;
“Defaulting Shipper”	has the meaning given to it in paragraph 1.2;
“Direction”	means a direction of the Credit Committee, in respect of a Default, that is issued to the Transporter and/or to a Shipper in relation to the relevant Default and which direction is given in accordance with paragraph 6 of these Terms;
“DNO”	has the meaning given to in the Code;
“Transporter’s General Manager”	has the meaning given to it in the Code;
“Licence”	has the meaning given to it in the Code;
“Licences”	has the meaning given to it in the Code;
“LPC Default”	has the meaning given to it in the Code;
“Meeting Notice”	means a notice of a Credit Committee meeting containing all information listed in paragraph 3.3 of these Terms (if available);
“Members”	means all members of the Credit Committee, being: (a) the Transporter; (b) all Shippers from time to time; and (c) the Authority and “Member” shall be construed accordingly;
“Modification Rules”	has the meaning given to it in the Code;
“NI Network”	has the meaning given to it in the Code;
“NI Postalised Network Disbursement Bank Account”	has the meaning given to it in the Code;
“Nominee”	has the meaning given to it in paragraph 7.4;
“Non-Voting Members”	has the meaning given to it in paragraph 5.1;
“NPCC Default”	has the meaning given to it in the Code;
“NPTP Default”	has the meaning given to it in the Code;

“Code”	means the NI Network Gas Transmission Code governing the terms on which Shippers which are party to or bound by that code may convey gas through the NI Network;
“PoT Account”	has the meaning given to it in the Code;
“PSA”	has the meaning given to that term in each of the Licences;
“PS Transmission Amounts”	has the meaning given to it in the Code;
“Shipper”	has the meaning given to it in the Code;
“Stranraer Shipper”	has the meaning given to it in the Code;
“Termination Default”	has the meaning given to it in the Code;
“Termination Notice”	has the meaning given to it in the Code;
“Terms”	has the meaning given to it in paragraph 1.2;
“Transporter”	has the meaning given to it in the Code;
“Unsecured Credit Support”	has the meaning given to it in the Code;
“US Default”	has the meaning given to it in the Code;
“Voting Members”	has the meaning given to it in paragraph 5.1;

2.2 Except as expressly provided in these Terms or where the context otherwise requires, all other terms that are defined in the Code to which these Terms are attached, where used in these Terms, shall have the same meaning as is ascribed to them in the Code.

3. Convening the Committee

3.1 Meetings of the Credit Committee:

- (A) shall be convened by the Transporter’s General Manager on the occurrence of any Default; and
- (B) may be requisitioned by any Shipper if it is permitted to do so in accordance with the provisions of the Code,

on the giving of 3 Business Days’ notice (a **“Meeting Notice”**) to all of the Members in accordance with the provisions of this paragraph. For the avoidance of doubt, a Meeting Notice may be provided by email.

3.2 A meeting of the Credit Committee may be called on shorter notice than required under paragraph 3.1 of these Terms if all Members entitled to vote on the particular matter or matters to be considered unanimously agree or where the Transporter's General Manager considers it necessary.

3.3 A Meeting Notice shall include:

- (A) details of the time and place of the meeting;
- (B) any information required to be submitted under 4.4 (A)
- (C) if a party other than the Transporter's General Manager is calling or requisitioning the meeting, the name(s) of the Member(s);
- (D) if issued in respect of a Default, the Defaulting Shipper's identity and full details of the Default;
- (E) if requisitioned under paragraph 3.1(B) the reason(s) for such a requisition, including full details of the matters to be discussed at the meeting, and the Directions sought by the requisitioners; and
- (F) the name of the proposed chairman.

3.4 Each Meeting Notice shall be served by the Member calling the meeting on each other Member by post to their respective addresses or by fax or email and post to a Member who supplies a fax number or email address or to such other address and/or fax number or email address as may be, from time to time, notified by a Member to each other Member as its address and/or fax number or email address for the receipt of notices.

3.5 The Credit Committee shall convene at the time and date appointed in the Meeting Notice, such time to be within normal Business Hours and, subject to paragraph 3.2, no less than 3 Business Days and no more than 10 Business Days after the issue of such Meeting Notice. Meetings may take place at the offices of the Authority, the offices of the Transporter and/or by teleconference, as determined in each case by the Transporter's General Manager. .

4. Chairman, Quorum and Adjournment

4.1 The chairman of a meeting of the Credit Committee shall be the Transporter's General Manager or the appointed representative of the Transporter's General Manager (the "**Chairman**").

4.2 The quorum for a meeting of the Credit Committee shall be at least two Shippers entitled to vote in accordance with paragraph 5.3 (as subject to paragraph 5.2) on the matters in respect of which the meeting is called unless either:

- (i) only one Shipper is eligible to vote on such matters, in which case the quorum shall be that Shipper; or
- (ii) no Shipper is eligible to vote on such matters, in which case the Chairman shall constitute a quorum.

4.3 If, within 30 minutes of the time appointed for the convening of a Credit Committee meeting, a quorum is not present, the Chairman may adjourn the meeting to any time in Business Hours not less than two Business Days, and not more than ten Business Days, after the day on which the meeting was convened. Notice of an adjourned meeting (an “**Adjourned Meeting Notice**”) shall be sent to all Members by the Chairman on the day of such adjournment. Such Adjourned Meeting Notice shall contain the same details as required to be included in a Meeting Notice in accordance with paragraph 3 of these Terms. If at such adjourned meeting there is no quorum as provided for under paragraph 4.2, one Shipper entitled to vote at that adjourned meeting shall comprise a quorum or, if no Shipper is entitled to vote at that adjourned meeting, the Chairman shall constitute a quorum.

4.4 Subject to paragraph 4.7, before the meeting, the Chairman shall be responsible for:

- (A) procuring in a timely manner any information required for the proper discussion of issues to be considered at the meeting, including the submission of requests for information from the Transporter and Defaulting Shipper prior to the meeting; and
- (B) reviewing the PS Invoices required to calculate the voting rights of each member in accordance with paragraph 8.1.

4.5 At the meeting, the Chairman shall be responsible for:

- (A) chairing that meeting of the Credit Committee;
- (B) directing a discussion of:
 - (1) the nature of the Default or Defaults, if any, under consideration, with, where appropriate, the aid of any information (including any draft Directions) provided by the Transporter prior to the meeting;
 - (2) appropriate steps to be taken by the Transporter to remedy the Default, with reference to the Licences and the Code; and
 - (3) appropriate sanctions, if any, to be applied by the Transporter to the Defaulting Shipper.

4.6 After the meeting, the Chairman shall be responsible for:

- (A) producing minutes of the meeting; and
- (B) distributing written copies of those minutes and any Directions to all Members in accordance with paragraphs 7.9 and 8.4.

5. **Composition and Entitlement to Vote**

5.1 On each matter considered by a Credit Committee meeting, Members of the Credit Committee shall be divided into Members entitled to vote (“**Voting Members**”) and Members not entitled to vote (“**Non-Voting Members**”). For the avoidance of doubt, if a Member is not entitled to vote on

a particular matter due to paragraph 5.2 they may, subject always to paragraph 5.2, vote on other matters under consideration at the same meeting.

5.2 The following Members shall be Non-Voting Members in respect of a particular matter under consideration at a Meeting:

- (A) the Authority;
- (B) the Transporter;
- (C) the Shipper in respect of which the Default under consideration arose
- (D) in respect of an NPTP Default, the Stranraer Shipper.

5.3 Subject to paragraphs 5.2(C) and (D), each Shipper shall be a Voting Member in respect of a matter under consideration at a Meeting.

5.4 If no Member at the relevant quorate meeting is entitled to vote the Chairman shall have a vote. In no other circumstances shall the Chairman, in that capacity, be entitled to vote at meetings.

6. Credit Committee Powers

6.1 Subject to paragraphs 6.2 and 6.3, the Credit Committee shall have the power to make any of the following directions (each a "**Direction**") in accordance with these Terms and the terms of the Code:

- (A) where a Termination Default or an Administration Default has occurred, require the Transporter to issue a Termination Notice to the Defaulting Shipper;
- (B) where a Termination Default or an Administration Default has occurred, require the Transporter not to issue a Termination Notice to a Defaulting Shipper;
- (C) where a breach of section 21.3.1 of the Code has occurred, to determine whether that breach of the Code is capable of remedy;
- (D) where any Default has occurred, require the Transporter to enforce a specified sum of the security it holds in relation to its Defaulting Shipper in favour of the PoT Account in the case of an NPTP Default, or the NI Postalised Network Disbursement Bank Account in respect of an NPCC Default;
- (E) where any Default has occurred, require the Transporter to settle a claim for non-payment against its Defaulting Shipper on such terms as the Credit Committee determines;
- (F) where an LPC Default has occurred, require the Transporter to waive the requirement for a Defaulting Shipper to provide the Provided Level of Credit Support which would otherwise be required of that Defaulting Shipper, for a specified period;

- (G) in the event of an NPTP Default or an NPCC Default, require the Transporter to agree a payment plan on such terms as the Credit Committee directs with a Defaulting Shipper which specifies dates on which future payments will be made;
- (H) where any Default has occurred, require the Transporter to engage the services of recognised legal and/or financial professionals in relation to that resolution of the circumstances giving rise to a Default;
- (I) where the Voting Members of the Credit Committee reasonably believe further pursuit of a non-payment is likely to be economically detrimental to Shippers, they may vote to direct the Transporter that no further action need be taken in respect of that non-payment;
- (J) in the event of a US Default, subject to the Authority's consent, a Direction as to whether a Shipper should be barred from meeting all or any part of its Provided Level of Credit Support through the provision of any or all forms of Unsecured Credit Support;
- (K) where any Default has occurred, require the Transporter to disallow the Defaulting Shipper from:
 - (1) acquiring IP Capacity and/or Exit Capacity by a transfer;
 - (2) reserving additional IP Capacity and/or Exit Capacity;
 - (3) submitting an IP Nomination and/or Exit Nomination;
 - (4) applying for any Exit Point Registration, IP Registration and/or Trading Point Registration;
- (L) where a request for a Direction from the Credit Committee has been made under section 18.10.3 of the Code, require the Transporter to re-assess a Shipper's Required Level of Credit Support and/or a Shipper's Provided Level of Credit Support;

provided that, the Credit Committee shall not be permitted to make any Direction which may delay or frustrate the application of the procedures for the recovery of Debt Payments from Shippers in accordance with any relevant Licences.

6.2 Any Direction given under the powers conferred at paragraph 6.1(B), paragraph 6.1(F), paragraph 6.1 (J) or paragraph 6.1(A) (but in relation to 6.1(A), only where in relation to a Termination Default, such Termination Default relates to a breach of section 21.3.1 of the Code) shall not be capable of exercise unless and until the Authority has given its consent.

6.3 Where the Credit Committee makes a Direction under paragraph 6.1(D) in respect of:

- (A) an NPTP Default, it may only direct the Transporter to enforce security up to the value calculated in accordance with section 18.3.6 of the Code; and
- (B) an NPCC Default, it may only direct the Transporter to enforce security up to the value calculated in accordance with section 18.3.7 of the Code.

7. Attendance and Proceedings at Meetings

- 7.1 Each Member may be represented by up to three persons at a Credit Committee meeting.
- 7.2 On receipt of a Meeting Notice and until the issue of a Direction, all Members shall meet as frequently as is reasonably necessary to carry out their duties.
- 7.3 A person shall be treated as present in person at a meeting notwithstanding that he is not physically present at the place where the meeting is held if he is in continuous communication with the meeting by conference telephone or other communication equipment permitting each person physically present at or so in communication with the meeting to hear and be heard by each other person.
- 7.4 If any Member fails or is unable to attend a meeting (an “**Absent Member**”) it may in writing appoint a nominee (a “**Nominee**”) to speak and/or vote for it. A Nominee may be any other Member of the Credit Committee who consents to act as a Nominee on the Absent Member’s behalf. Any Member, present at a meeting of the Credit Committee, and acting as Nominee only counts once toward the quorum (on its own behalf) and may not vote on behalf of the Absent Member on any matter in respect of which the Nominee or the Absent Member is a Non-Voting Member.
- 7.5 Members shall keep confidential all information which comes into their possession in carrying out their duties under these Terms and shall not communicate any Credit Committee or personal view regarding any matter discussed at a Credit Committee meeting to any person who is not a Member except with the consent of the Credit Committee, where its respective licence or the Code requires, where the Authority requires, or as required by law.
- 7.6 Any Voting Member may require that a Defaulting Shipper be excluded from any part of the relevant meeting of the Credit Committee.
- 7.7 Members shall use all reasonable endeavours to make Directions promptly and to the best of their ability and shall conduct themselves honestly and diligently whilst carrying out their duties under these Terms and shall act without undue discrimination against any Shipper.
- 7.8 The proceedings of the Credit Committee shall be conducted in private.
- 7.9 The Chairman shall keep a minute of the meeting of the Credit Committee and shall circulate such minute to all Members present within 3 Business Days of the relevant Meeting except such minute shall not be circulated to, or otherwise provided to the Defaulting Shipper. The Chairman shall send a copy of such minute to the Authority, and any Member who disputes the accuracy of such minute shall make such amendments or additions it sees fit and send those amendments or additions to the Authority within 3 Business Days of receipt of the minute from the Chairman.
- 7.10 A person shall not represent a Member if:
- (A) the Authority has given notice to the person that circumstances exist which in the opinion of the Authority would make it difficult for such person to act in the best interests of the

Credit Committee or render such representation detrimental to the fair operation of the Credit Committee;

- (B) he becomes bankrupt or compounds with his creditors;
- (C) he, or any body of which he is, or has been, a director, partner or controller be the subject of any complaint or investigation of misconduct or of malpractice in connection with his or its business affairs and the Authority decides that it is undesirable that he represent a Member; or
- (D) he is dismissed or requested to resign from any office of employment or from any fiduciary office or position of trust, whether or not remunerated, and the Authority resolves that it is undesirable that he represent a Member.

8. Directions and Voting

- 8.1 At a meeting a Voting Member shall hold one vote per £1 worth of PS Transmission Amounts invoiced to it during the six Months immediately prior to the Month in which the meeting is convened.
- 8.2 Directions may be passed by the written consent of all Members who would, if present at a meeting of the Credit Committee called to decide such a matter, be Voting Members and shall be in the form submitted to all Members by the convening Member prior to a meeting, and, if passed, will obviate the need for such meeting.
- 8.3 Directions shall be passed by the Credit Committee:
 - (A) at a quorate meeting by a simple majority of the votes cast by Members present and entitled to vote (abstentions not forming part of the count for these purposes); or
 - (B) by the Chairman on receipt of the written consent of all Members entitled to vote to any draft Directions submitted to all Members in writing prior to the meeting.
- 8.4 Written copies of all Directions passed at a meeting shall be sent to all Members no later than three Business Days after the meeting is concluded by the Chairman.

9. Fees and Expenses

- 9.1 Members of the Credit Committee shall be responsible for their own costs and expenses incurred in fulfilling their duties.

10. Modification

- 10.1 For the avoidance of doubt, these Terms of Reference may be modified in accordance with the Modification Rules.

Insert the following new provisions in section 16.8, immediately after 16.2.7

Duty to provide forecasts and information relating to the calculation of the Postalised Charges for Future Gas Years

- 16.2.8 A Shipper shall use its reasonable endeavours to ensure that all forecasts and information supplied in accordance with section 16.2.4 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.

- 16.2.9 A Shipper shall promptly submit to the Transporter any further information, explanation and access to relevant documents and records, in each case as the Transporter reasonably requires in respect of the Forecast Supplier Quantity in order to satisfy its obligation to present similar information under Condition 2A.2.3.1 of the Licences.

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Amend section 22.3.4 to read as follows:

- 22.3.4 A Shipper or Prospective Shipper that wishes to utilise the Trading Point but who does not intend to make any IP Entry Nominations or Exit Nominations (a “**Trader**”) must apply for a Trading Point Registration but it is not necessary for a Trader to obtain a pair of Registrations in accordance with section 22.4.3.