

UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION X – ENERGY BALANCING CREDIT MANAGEMENT

1 GENERAL

1.1 Introductions

- 1.1.1 The effect of the provisions of Sections F4.5.3(a)(ii) and F6.5.1(a)(ii) is that, if a User fails to make payment of any Energy Balancing Charge when due, all other Users may become liable for (in aggregate) an equivalent amount (together with an amount in respect of the cost of financing such non-payment).
- 1.1.2 Users have agreed (inter se) to, and requested Transco NTS to implement, the provisions of this Section X with a view to limiting the extent to which they will incur the liability described in paragraph 1.1.1.
- 1.1.3 Nothing in this Section X shall modify the provisions referred to in paragraph 1.1.1.
- 1.1.4 This Section X is independent of and shall apply separately from the provisions of Section V3 (which relates to indebtedness of Users other than in respect of Energy Balancing Charges).
- 1.1.5 In this Section X "**Energy Balancing Invoice**" means an Invoice Document in respect of any Energy Balancing Charges or interest thereon.

1.2 Energy Balancing Credit Committee

- 1.2.1 Subject to paragraph 1.2.2 the "**Energy Balancing Credit Committee**" is the Uniform Network Code Committee or any relevant sub-committee.
- 1.2.2 Where this Section X provides for any decision by the Energy Balancing Credit Committee (including any approval or authorisation of anything proposed to be done by Transco NTS) such decision shall be taken by the affirmative vote of a simple majority of the members of the committee who are appointed to represent Users (and subject to such other procedures as the committee may establish); and the representatives of Transco NTS who are members of the Uniform Network Code Committee or any relevant sub-committee will not vote on any matter brought before the Energy Balancing Credit Committee pursuant to this Section X.
- 1.2.3 Transco NTS may consult with the Energy Balancing Credit Committee in relation to any aspect of its functions under this Section X, and may at any time convene a meeting of such committee on any reasonable period of notice.
- 1.2.4 Where Transco NTS has any reasonable grounds for wishing to consult with the Energy Balancing Credit Committee in relation to any step required to be taken under this Section X, Transco NTS may (where it has convened a meeting of such committee for the purposes for the earliest reasonable date) defer taking such step until it has consulted with such committee.
- 1.2.5 Where Transco NTS brings to the Energy Balancing Credit Committee any matter relating to a particular User, Transco NTS will not disclose the identity of the User to

the committee unless:

- (a) the User in question agrees to such disclosure; or
- (b) it is not practicable for the matter in question to be considered by the committee without the identity of the User being disclosed or becoming apparent; or
- (c) Transco NTS has given Termination Notice to the User (but this paragraph (c) shall not of itself require Transco NTS to inform the committee of the fact that it has given such notice to any User).

1.2.6 With the approval of the Energy Balancing Credit Committee, Transco NTS is authorised, in implementing the provisions of this Section X as respects Users or any particular User, to delay the implementation of any such provision or to implement any such provision on a modified basis which is (as respects the interests of Users or the User in question) less onerous than the provision in the absence of such modification.

1.2.7 No member of the Energy Balancing Credit Committee shall be liable (whether in contract or tort including negligence or otherwise) to Transco NTS or any of the Users for anything done when acting properly in or in connection with his office under the Code, or anything done in what such member in good faith believes to be the proper exercise and discharge of the powers, duties, functions and discretions of that office in accordance with the Code; and each User and Transco NTS waives any such liability that any such member may have and any claim in respect thereof.

1.2.8 Nothing contained in paragraph 1.2.7 shall exercise or limit the liability of a member of the Energy Balancing Credit Committee:

- (a) for death or personal injury resulting from the negligence of such member; or
- (b) in any case where such member has in the exercise and discharge of its powers, duties, functions and discretions acted in bad faith or fraudulently.

1.3 **Liability of Transco NTS**

1.3.1 Users acknowledge that the calculation of Energy Balancing Charges and other matters to be calculated under this Section X involves the possibility of error; and agree (subject to paragraph 2.7) to make the payments required under this Section X, and that Transco NTS is to take the steps contemplated by this Section X, notwithstanding any such error (on the basis that any necessary repayments or additional payments will be made following resolution of any such error).

1.3.2 Notwithstanding paragraph 1.3.1 and the provisions of this Section X, where Transco NTS has reasonable grounds for believing that any calculation required to be made by it for the performance of its functions under this Section X has been or may have been made erroneously, Transco NTS may (but shall not be required to) defer the taking of any step that would otherwise be required under this Section X until Transco NTS has had a reasonable opportunity of verifying such calculation.

1.3.3 Without prejudice to paragraph 1.3.4, nothing in this Section X shall require Transco NTS to take any step which Transco NTS believes on reasonable grounds may result in its becoming liable to any person in damages or otherwise, whether or not the amount of any such liability would be recoverable under paragraph 1.3.7, but the possibility of

a claim being made against Transco NTS shall not of itself suffice for the purposes of this paragraph unless Transco NTS believes on reasonable grounds that such claim would be well founded.

- 1.3.4 Each User authorises Transco NTS to take any step contemplated by this Section X, and (without prejudice to Section V8, but subject to paragraph 1.3.8) agrees that Transco NTS shall have no liability (in contract or tort including negligence or otherwise) to such User for taking any such step, and waives any such liability that Transco NTS may have and any claim in respect thereof.
- 1.3.5 Nothing in this Section X shall require Transco NTS to take any step which conflicts with any Legal Requirement or any order of any court of competent jurisdiction.
- 1.3.6 Transco NTS will act in good faith in implementing the provisions of this Section X but (subject to paragraph 1.3.8) will not be liable (in contract or tort including negligence or otherwise) to any User for any failure or delay of Transco NTS in doing so or in taking any particular step contemplated by this Section X, and each User waives any such liability that Transco NTS may have and any claim in respect thereof.
- 1.3.7 Subject to paragraph 1.3.8, where any person makes any claim (in negligence or otherwise) against Transco NTS in consequence of Transco NTS's taking any step contemplated by this Section X:
 - (a) Transco NTS will defend such claim and will (subject to any duties of confidence) consult with and keep informed the Energy Balancing Credit Committee in relation to such claim and the defence thereof;
 - (b) the fees, costs and expenses incurred by Transco NTS (other than its own internal costs and expenses) in defending such claim, and any amounts which Transco NTS may be found liable (or with the approval of the Energy Balancing Credit Committee may agree by way of settlement) to pay by way of damages or costs or otherwise in respect of such claim, shall be additional Monthly Neutrality Adjustment Costs in the months in which Transco NTS makes payment thereof.
- 1.3.8 Nothing in the Code shall exclude or limit Transco NTS's liability, or entitle Transco NTS to recover from Users any amount in respect of any liability of Transco NTS:
 - (a) in respect of any death or personal injury resulting from Transco NTS's negligence;
 - (b) in respect of a reckless or wilful breach by Transco NTS of this Section X; or
 - (c) in any case where Transco NTS has in the exercise of its functions under this Section X acted in bad faith or fraudulently.

1.4 Code Contingencies

Transco NTS will not be required to implement this Section X in any case where and for so long as, by reason of any Code Contingency, it is not reasonably practicable for Transco NTS to perform with reasonable accuracy any calculation required for such implementation.

1.5 **DNO Users**

In this Section X references to Users exclude DNO Users.

2 **SECURITY, ENERGY BALANCING INDEBTEDNESS AND CASH CALL PRINCIPLES**

2.1 **Energy Balancing Credit Rules**

2.1.1 The "**Energy Balancing Credit Rules**" are the rules established by Transco NTS dated 1 March 1996 and so entitled, as from time to time amended in accordance with ~~paragraph~~paragraphs 2.1.4 and 2.1.5.

2.1.2 The Energy Balancing Credit Rules provide for the specified forms and the basis on which a User may provide a letter of credit or cash by way of security for the User's indebtedness in respect of Energy Balancing Charges.

2.1.3 Subject to paragraph 2.1.5, and without prejudice to any express requirement under this Section X to comply therewith, the Energy Balancing Credit Rules do not form part of and are not incorporated into the Code.

2.1.4 With the approval of the Energy Balancing Credit Committee, Transco NTS may revise the Energy Balancing Credit Rules upon giving notice to all Users of not less than 2 months or such shorter period as may in any particular case be approved by the Committee.

2.1.5 For the purposes only of enabling Transco NTS or a User to propose a modification pursuant to the Modification Rules, the Energy Balancing Credit Rules shall be deemed to be incorporated into and to form part of the Code.

2.2 **Secured Credit Limit**

2.2.1 Each User shall secure that its Cash Call Limit elected under paragraph 2.4 is not greater than 85% of its Secured Credit Limit.

2.2.2 For each User the "**Secured Credit Limit**" shall be the amount determined under paragraph 2.2.3.

2.2.3 The amount referred to in paragraph 2.2.2 is the amount for the time being of the Security the User has provided.

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

2.2.5 Where a User applies to increase its Secured Credit Limit:

(a) Transco NTS will revise the User's Secured Credit Limit in accordance with the Energy Balancing Credit Rules and paragraph 2.2.2 as soon as reasonably practicable after the User's application;

(b) where the revised Secured Credit Limit determined under paragraph (a) is less

than that specified by the User, Transco NTS will notify the User as soon as reasonably practicable after Transco NTS becomes aware thereof.

2.2.6

- (a) A User's Secured Credit Limit may also be revised, in accordance with the Energy Balancing Credit Rules, save where either paragraph 2.2.6(b) or (c) applies, on notice of not less than 30 Days (or any lesser period agreed by the User) to the User:
- (i) at intervals of approximately 12 months;
 - (ii) where any published credit rating of a provider of security is revised downwards;
 - (iii) where (but without prejudice to any requirement of the Energy Balancing Credit Rules) any instrument of Security expires or is determined;
 - (iv) where at any time Transco NTS has reasonable grounds to believe that the effect of the review will be to reduce the User's Secured Credit Limit

provided that nothing in this Section X shall require Transco NTS to undertake a review under paragraph 2.2.6(a)(ii) or 2.2.6(a)(iii).

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

2.3 Securities

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

2.3.2 Where a User proposes that any Security be given not substantially in accordance with the requirements of the Energy Balancing Credit Rules, Transco NTS will table the User's proposal at the first meeting of the Energy Balancing Credit Committee convened not less than 10 Business Days following the User's proposal; but Transco NTS will not be required to accept the User's proposal unless and until such Committee shall have approved such proposal.

2.3.3 Any reference in this Section X to the amount of any Security shall be to such amount:

- (a) in the case of Security, as determined in accordance with the Energy Balancing Credit Rules; and
- (b) as reduced by the amount of any payment made pursuant to the application of

such Security.

- 2.3.4 A User who has provided a Security may request Transco NTS to release such Security (in whole or in part); and following such a request, provided that the requirement in paragraph 2.3.5 is met, Transco NTS will, as soon as reasonably practicable and in any event within 10 Business Days after such request, comply with such request.
- 2.3.5 The requirement is that at the date 2 Business Days before the date of such release or reduction the amount of the User's Outstanding Relevant Balancing Indebtedness does not exceed 90% of the lesser of:
- (a) the amount of the User's Cash Call Limit; and
 - (b) the amount of the User's revised Secured Credit Limit established (in accordance with the Energy Balancing Credit Rules and paragraph 2.2.2) on the basis of the reduced or released Security.
- 2.3.6 An instrument of Security shall not be a part of the Code nor an Ancillary Agreement; and no provision of or modification of the Code, nor any inconsistency between the Code and any such instrument, and nothing done by Transco NTS pursuant to the Code, shall prejudice or invalidate any such instrument.

2.4 **Cash Call Limit**

- 2.4.1 For each User the "**Cash Call Limit**" is the amount, not exceeding 85% of the User's Secured Credit Limit, elected by or assigned to the User in accordance with this paragraph 2.4 as the limit on its Outstanding Relevant Balancing Indebtedness.
- 2.4.2 Each User shall, on or before the User Accession Date, notify Transco NTS of the initial amount of its Cash Call Limit.
- 2.4.3 A User may by giving notice to Transco NTS of not less than 7 Business Days revise its Cash Call Limit provided that its revised Cash Call Limit is not greater than 85% of its Secured Credit Limit.
- 2.4.4 Where a User notifies Transco NTS of a revised Cash Call Limit, or a User's Secured Credit Limit is reduced, and as a result its Cash Call Limit is or would be greater than 85% of its Secured Credit Limit, it shall be assigned a Cash Call Limit which is equal to 85% of its Secured Credit Limit.

2.5 **Calculation of Outstanding Relevant Balancing Indebtedness**

- 2.5.1 In relation to each Gas Flow Day (the "**relevant Day**"), as soon as reasonably practicable after the Day on which (pursuant to Section E2.1.2) initial Entry Allocation Statements are required to be submitted to Transco NTS, or in accordance with paragraph 2.5.6 or 2.7.6, Transco NTS will calculate for each User:
- (a) the amount of the Relevant Balancing Charges for the relevant Day; and
 - (b) the amount of the Outstanding Relevant Balancing Indebtedness.
- 2.5.2 For the purposes of this Section X:
- (a) "**Relevant Balancing Charges**" means the Daily Imbalance Charges,

Scheduling Charges, Basic Balancing Neutrality Charges and Physical Renomination Incentive Charges which would (on the basis set out in paragraph 2.5.3) be payable, and the Market Balancing Action Charges and other charges in respect of Eligible Balancing Actions taken pursuant to Contingency Balancing Arrangements which are payable, by or to each User in respect of the relevant Day;

- (b) **"Basic Balancing Neutrality Charges"** are the amounts that would be determined as Balancing Neutrality Charges in accordance with Section F4 on the basis that the Unit Daily Neutrality Amount (under Section F4.3) is calculated on the basis of the Basic Net Neutrality Amount only, and disregarding the Adjustment Neutrality Amount;
- (c) **"Anticipated Balancing Indebtedness"** for each User (other than the Trading System Operator) is an amount calculated, in respect of all Days in the relevant period (each such day ('i')), in accordance with the following formula:

$$ABI = \sum_{i=d-n}^{d-1} \left(ADSAP_i * \sum_{j=i-n-9}^{i-n} \frac{DI_j}{10} \right)$$

where:

ABI is the Anticipated Balancing Indebtedness;

ADSAP_i is the Adjusted System Average Price for a Day, 'i', being any Day falling during the relevant period, which shall be the System Average Price for that Day 'i'; except where either:

- (i) the SAP the Day 'i', is greater than the mean of the SAPs for the previous 10 days plus 1.96 times the standard deviation of the SAPs for the previous 10 days ("**the Upper Limit**"), in which case the ADSAP shall be equal to the Upper Limit; or
- (ii) SAP the Day 'i', is less than the mean of the SAPs for the previous 10 days minus 1.96 times the standard deviation of the SAPs for the previous 10 days ("**the Lower Limit**"), in which case the ADSAP shall be equal to the Lower Limit.

DI_j is the User's Daily Imbalance for the Day 'j' falling during the Imbalance Period (being a positive or (as the case may be) negative amount in accordance with Section E5.1.2);

d is the relevant Day;

n is the number of days in the relevant period;

"relevant period" is the period from (and including) the 7th Business Day preceding the relevant Day, d, until (and including) the Day preceding the relevant Day ('d-1');

"Imbalance Period" is the period from and including nine Days preceding the

day 'i-n' until (and including) the day 'i-n';

- (d) **"Outstanding Relevant Balancing Indebtedness"** for each User (other than the Trading System Operator) means (subject to paragraph (g)) the sum of:
- (i) the net aggregate amount (payable by or to the User) of the Relevant Balancing Charges for each Day of the Uninvoiced Period;
 - (ii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is on or after the calculation Day;
 - (iii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is before the calculation Day and which have not been paid by the User; and
 - (iv) the User's Anticipated Balancing Indebtedness less the amount (excluding any interest earned thereon) of any Cash Call which has been paid by the User and not for the time being applied in or towards payment of any Invoice Amount under paragraph 2.8;
- (e) the **"calculation Day"** is the Day on which Transco NTS makes the calculation under paragraph 2.5.1;
- (f) for the purposes of paragraph (d)(i) the **"Uninvoiced Period"** is the period from the first Day of the earliest Billing Period in respect of which no Energy Balancing Invoice has been submitted to the User up to and including the relevant Day;
- (g) subject to paragraph 2.5.7 in determining the amount of a User's Outstanding Relevant Balancing Indebtedness, Transco NTS will make an appropriate allowance for any material unpaid amount which may be payable to the User pursuant to Section F1.4;
- (h) in determining Outstanding Relevant Balancing Indebtedness, amounts payable by the User shall be positive, and amounts payable to the User shall be negative; and where Outstanding Relevant Balancing Indebtedness would otherwise be negative it shall be deemed (for the purposes of this Section X only) to be zero;
- (i) **"Outstanding Relevant Balancing Indebtedness"** for the Trading System Operator means the sum of:
- (i) the net aggregate amount (payable by or to the User) of the Relevant Balancing Charges for each Day of the Uninvoiced Period;
 - (ii) the Net Invoice Amounts in respect of all Energy Balancing

Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is on or after the Calculation Day; and

- (iii) the Net Invoice Amounts in respect of all Energy Balancing Charges under each Energy Balancing Invoice which has been submitted for which the Invoice Due Date is before the Calculation Day and which have not been paid by the User;

less

- (iv) the amount (excluding any interest earned thereon) of any Cash Call which has been paid by the Trading System Operator and not for the time being applied in or towards payment of any Invoice Amount under paragraph 2.8.

2.5.3 The Relevant Balancing Charges and a User's Anticipated Balancing Indebtedness will be calculated in respect of each Gas Flow Day on the basis of the amounts determined as the User's UDQIs on the basis of initial Entry Allocation Statements, applying (where relevant) the provisions of Section E2.1.8 or E2.1.9, and on the basis of the User's UDQOs determined in accordance with Section E3.

2.5.4 Users acknowledge that:

- (a) subject to paragraphs 2.5.6, 2.7.6 and 2.5.7, the calculation of Relevant Balancing Charges and a User's Anticipated Balancing Indebtedness will disregard any revision of initial Entry Allocation Statements pursuant to Section E2.1.3;
- (b) the calculation of Outstanding Relevant Balancing Indebtedness takes no account of Energy Balancing Charges which either may become payable by Transco NTS to a User, or may become payable by a User to Transco NTS, in respect of Days after the relevant Day and up to the calculation Day.

2.5.5 For the avoidance of doubt paragraph 2.5.4 is without prejudice to the subsequent determination of Energy Balancing Charges for the purposes of submission of an Energy Balancing Invoice.

2.5.6 Subject to paragraph 2.5.7, where:

- (a) any Entry Allocation Statement submitted in respect of any Day in the Uninvoiced Period has been revised (in compliance with the requirements of Section E2.1.3) so as to reduce the UDQI of any User; and
- (b) any User so requests Transco NTS by notice given not less than 5 Days before the Entry Close-out Date; and
- (c) the amount by which such UDQI was so reduced exceeds whichever is the greater of:
 - (i) 2,000,000 kWh (68,260 therms); and
 - (ii) an amount determined as 10% of the aggregate of the User's UDQIs (determined as at the time of such request) for all

System Entry Points for the relevant Day,

Transco NTS will as soon as reasonably practicable recalculate the amount of all Users' Outstanding Relevant Balancing Indebtedness on the basis of the revised UDQIs under all of the revised Entry Allocation Statements for the relevant Day.

2.5.7 Paragraphs 2.5.2(b), 2.5.2(c), 2.5.2(d), 2.5.2(g), 2.5.3, 2.5.4(a) and 2.5.6 shall not apply to the Trading System Operator.

2.6 Cash Calling

2.6.1 Where the amount of a User's Outstanding Relevant Balancing Indebtedness exceeds the amount of its Cash Call Limit, Transco NTS will as soon as reasonably practicable on or after the calculation Day submit to the User a Cash Call.

2.6.2 The Cash Call shall be for an amount calculated as the sum (rounded up to the nearest £1,000) of:

(a) the amount by which the User's Outstanding Relevant Balancing Indebtedness exceeds the amount of its Cash Call Limit; and

(b) an amount equal to 10% of the User's Cash Call Limit.

2.6.3 For the purposes of this Section X:

(a) a "**Cash Call**" is a notice, in the form set out in the Energy Balancing Credit Rules, requiring the User to make payment to Transco NTS of the amount stated in the notice;

(b) where the context requires, a reference to a Cash Call includes the amount required to be paid and the requirement to pay such amount.

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

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

2.6.6 Paragraph 2.6.5 shall not apply to a revised Cash Call made pursuant to paragraph 2.7.3.

2.7 Cash Call Appeals

2.7.1 Where:

(a) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;

(b) the amount of the relevant Cash Call, alone or in aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the

lesser of £1,000,000 and 20% of the User's Cash Call Limit; and

- (c) the User considers that the amount of the relevant Cash Call has been calculated erroneously,

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

2.7.2 Where a User gives a notification under paragraph 2.7.1:

- (a) the relevant Cash Call (and the obligation of the User to make payment thereof) will be suspended, subject to paragraph 2.7.3;
- (b) Transco NTS will review the details provided by the User and will review the calculations made of the User's Outstanding Relevant Balancing Indebtedness;
- (c) if requested by Transco NTS the User shall provide by telephone or facsimile any further details or explanation of its view.

2.7.3 Following its review under paragraph 2.7.2(a) Transco NTS will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under paragraph 2.7.1):

- (a) where it is reasonably satisfied that there has been or may have been such an error, withdraw the relevant Cash Call or revise the relevant Cash Call accordingly and submit the revised Cash Call to the User;
- (b) otherwise, notify the User that the original Cash Call remains valid (and is no longer suspended);

and any such revised Cash Call or notification shall be substantially in the form set out in the Energy Balancing Credit Rules, and if given on a Day which is not a Business Day or after 17:00 hours on a Business Day shall be treated as having been given on the next following Business Day.

2.7.4 A User may not give a further notification under paragraph 2.7.1 to Transco NTS in respect of the relevant Cash Call (whether or not revised under paragraph 2.7.3).

2.7.5 Where:

- (a) a Cash Call (the "**relevant**" Cash Call) has been submitted to a User;
- (b) the amount of the relevant Cash Call, alone or in aggregate with any other Cash Calls made to the User in the same calendar month, exceeds whichever is the lesser of £1,000,000 and 20 % of the User's Cash Call Limit;
- (c) any Entry Allocation Statement submitted by or on behalf of the User in respect of any Day in the Uninvoiced Period has been revised (in compliance with the requirements of Section E2.1.3) so as to increase the User's UDQI;
- (d) the amount by which such UDQI was so increased exceeds whichever is the

greater of:

- (i) 500,000 kWh (17,060 therms); and
- (ii) an amount determined as 5% of the aggregate of the User's UDQIs (determined at the relevant time) for all System Entry Points for the Day referred to in paragraph (c),

the User may, not later than 12:00 hours on the Day on which the Cash Call is (in accordance with paragraph 2.8.1, disregarding paragraph 2.7.8(a)) due for payment, by notice to Transco NTS request Transco NTS to recalculate the amount of the User's Outstanding Relevant Balancing Indebtedness on the basis of such revised UDQI.

- 2.7.6 Where a User makes a request under paragraph 2.7.5 Transco NTS will as soon as reasonably practicable (and wherever possible within 24 hours after such request) withdraw the relevant Cash Call or revise (on the basis of the recalculated Outstanding Relevant Balancing Indebtedness) the relevant Cash Call and submit the revised Cash Call to the User.
- 2.7.7 Without prejudice to paragraph 2.5.6, Transco NTS will not be required to recalculate the Outstanding Relevant Balancing Indebtedness of any other User by reason of a request under paragraph 2.7.5.
- 2.7.8 Where a User gives a notification under paragraph 2.7.1 or request under paragraph 2.7.5, further references in this Section X:
 - (a) to the date of a Cash Call are to the Day of Transco NTS's revised Cash Call under paragraph 2.7.3(a) or 2.7.6 or notification to the User under paragraph 2.7.3(b); and
 - (b) to the amount of a Cash Call are to any revised amount under paragraph 2.7.3(a) or 2.7.6.
- 2.7.9 A notification under paragraph 2.7.1 or notice under 2.7.5 shall be given:
 - (a) by facsimile; or
 - (b) by telephone confirmed by facsimile given not later than 17:00 hours on the same Day.

2.8 **Payment of Cash Calls**

- 2.8.1 A User shall, subject to paragraph 2.7, make payment of the full amount of a Cash Call on the Business Day following the Day on which the Cash Call was made.
- 2.8.2 Sections S3.2.1 and S3.3 shall apply in respect of the payment of a Cash Call.
- 2.8.3 Where a User pays an amount ("**Cash Call Payment**") in respect of a Cash Call:
 - (a) where there is any amount (in respect of Energy Balancing Charges) unpaid by the User under an Energy Balancing Invoice for which the Invoice Due Date was before the date on which the Cash Call was paid, Transco NTS will apply the Cash Call Payment in or towards payment of such unpaid amount;

- (b) except as provided in paragraph (a) Transco NTS will (unless it required payment by the User to be made to such account) as soon as reasonably practicable after receipt thereof pay the Cash Call Payment (or the balance thereof after application under paragraph (a)) into a Cash Call Account.
- 2.8.4 In relation to each User a Cash Call Account is a separately designated sub-account of a general interest bearing account in the name of Transco NTS at any branch in the United Kingdom of a bank at which Transco NTS maintains accounts other than pursuant to this paragraph 2.8 (which account may be the account to which the User is to make payment pursuant to and in accordance with ~~Sections~~Section S3.2.1).
- 2.8.5 The moneys (including interest) for the time being standing to the credit of a Cash Call Account shall belong beneficially and absolutely to Transco NTS and (without prejudice to paragraph 2.8.6) there shall be no implied or constructive trust in respect thereof in favour of the User, and Transco NTS shall be under no obligation to repay any of such moneys to the User.
- 2.8.6 Subject to paragraph 2.8.7, where at any time:
- (a) there is any amount standing to the credit of a User's Cash Call Account;
 - (b) the User's Outstanding Relevant Balancing Indebtedness is less than 90% of the User's Cash Call Limit; and
 - (c) the User is not a Defaulting User,

Transco NTS will if requested by the User pay to the User an amount equal to the amount standing to the credit of the Cash Call Account or (if less) to such part thereof as will, after repayment to the User, result in the User's Outstanding Relevant Balancing Indebtedness being approximately equal to 90% of the User's Cash Call Limit.

- 2.8.7 A User may not make a request pursuant to paragraph 2.8.6 less than 5 Days before the Invoice Due Date in respect of any Energy Balancing Invoice, and Transco NTS shall be entitled to disregard any such request purportedly so made.
- 2.8.8 The amount standing to the credit of a User's Cash Call Account together with interest accrued thereon (after deducting an amount equal to any payment to the User under paragraph 2.8.6) will be applied by Transco NTS in or (pro rata) towards payment of the Invoice Amounts in respect of Energy Balancing Charges under the Energy Balancing Invoice(s) for which the Invoice Due Date(s) next follows the date of payment of the relevant Cash Call Amount.

2.9 Failure to pay Cash Call

- 2.9.1 Where a User has not paid the whole of a Cash Call by the Business Day following the Day on which the Cash Call was made, and irrespective of the amount of the User's Outstanding Relevant Balancing Indebtedness as at any Day after the calculation of the Cash Call, Transco NTS shall be entitled to, and as soon as reasonably practicable after such Business Day will, submit to the User a notice substantially in the form set out the Energy Balancing Credit Rules, notifying the User that Transco NTS may give Termination Notice to the User if the User does not pay the amount of the Cash Call in full by the Business Day following the date of such notice.

- 2.9.2 Where Transco NTS has given notice to a User under paragraph 2.9.1, and until the Cash Call is paid in full, Transco NTS will not pay, and (irrespective of the Invoice Due Date) shall be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of, any amounts payable to the User in respect of Energy Balancing Charges, (and no interest shall accrue and be payable on any such amounts from the Invoice Due Date until the day on which the payment is made) and Transco NTS shall instead pay the relevant amounts into the User's Cash Call Account.
- 2.9.3 Where Transco NTS has given notice to a User under paragraph 2.9.1 and the User has not paid the amount referred to in the notice in full after one Business Day following the date of such notice, Transco NTS shall be entitled to and after such Business Day subject to paragraph 2.9.7 may give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice.
- 2.9.4 Transco NTS will send a copy of any notice given under paragraph 2.9.1 or 2.9.3 to the Authority and without prejudice to paragraph 1.2.5, shall notify the Energy Balancing Credit Committee that such notice has been issued.
- 2.9.5 For the avoidance of doubt, Transco NTS will not realise and apply any Security in respect of any Cash Call (the basis on which a Security realised and applied being set out in paragraph 3.2.4(b)).
- 2.9.6 Where Transco NTS has given a Trading Participant a Termination Notice pursuant to this paragraph 2.9 it shall promptly inform the Trading System Operator.
- 2.9.7 Before Transco NTS shall take the action envisaged by paragraph 2.9.3, Transco NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable on or after one Business Day following the date of the notice given to the User pursuant to paragraph 2.9.1 and shall consult with the Energy Balancing Credit Committee to determine whether Transco NTS should be obliged to issue the Termination Notice, pursuant to paragraph 2.9.3, or whether Transco NTS should defer taking such step.
- 2.10 Further Security Request**
- 2.10.1 Where this paragraph 2.10 applies Transco NTS will as soon as reasonably practicable on or after the date on which the further Cash Call (referred to in paragraph 2.6.4) is submitted submit to the User a Further Security Request.
- 2.10.2 For the purposes of this Section X a "**Further Security Request**" is a notice, in a form set out in the Energy Balancing Credit Rules, requiring the User to provide a further, additional or revised Security in such amount and for such period as determined in accordance with the Energy Balancing Credit Rules.
- 2.10.3 Where:
- (a) a Further Security Request (the "**relevant**" Further Security Request) has been submitted to a User; and
 - (b) the User considers it inappropriate that it should be required to provide a further, additional or revised Security

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

2.10.4 Where a User gives a notification under paragraph 2.10.3:

- (a) the relevant Further Security Request (and the obligation to provide further, additional or revised Security) will be suspended, subject to paragraph 2.10.5;
- (b) Transco NTS will review the details provided by the User and will review the calculations made of the User's Outstanding Relevant Code Indebtedness;
- (c) if requested by Transco NTS the User shall provide by telephone or facsimile any further details or explanation of its view.

2.10.5 Following its review under paragraph 2.10.4, Transco NTS will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under paragraph 2.10.3):

- (a) where it is reasonably satisfied that it is inappropriate that the User provide further, additional or revised Security in accordance with the Further Security Request, withdraw the Further Security Request or revise the further, additional or revised Security requested accordingly and submit the revised Further Security Request to the User;
- (b) otherwise, notify the User that the Further Security Request remains valid (and is no longer suspended),

and such revised Further Security Request or notification shall be substantially in the form set out in the Energy Balancing Credit Rules, and if given on a Day which is not a Business Day or after 17:00 hours on a Business Day shall be treated as having been given on the next following Business Day.

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

2.10.7 Where Transco NTS has submitted a Further Security Request to a User, the User shall, subject to paragraph 2.10.4, provide further, additional or revised Security in such amount and for such period as determined in accordance with the Energy Balancing Credit Rules.

2.10.8 Where Transco NTS has submitted a revised Further Security Request or notified a User that a Further Security Request remains valid pursuant to paragraph 2.10.5 until the further additional or revised Security is provided in accordance with the Further Security Request a User may not make a request pursuant to paragraph 2.8.6 and Transco NTS shall:

- (a) be entitled to disregard a request purportedly so made pursuant to paragraph 2.8.6; and
- (b) be entitled to withhold payment pursuant to any Energy Balancing Invoice in respect of any amounts payable to the User in respect of Energy Balancing

Charges.

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

- (a) the date the Further Security Request was submitted; or
- (b) where the User has given a notification under paragraph 2.10.4, the date the revised Further Security Request was submitted or the date the User was notified that the Further Security Request remains valid pursuant to paragraph 2.10.5,

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

2.10.10 Subject to paragraph 2.10.12, where the User has not provided the further, additional or revised Security in accordance with the Further Security Request by 12:00 hours on the 7th Business Day following the date the Failure to Supply Further Security Notice was submitted and irrespective of the User's Outstanding Relevant Code Indebtedness as at any Day after the submission of the Further Security Request, Transco NTS shall be entitled to, and as soon as reasonably practicable thereafter may, give Termination Notice to the User (for the purposes of Section V4.3.3) to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice and Transco NTS shall send a copy of any notice given under this paragraph ~~2.10.9~~ 2.10.10 to the Authority.

2.10.11 It shall not be a condition to Transco NTS's giving Termination Notice under paragraph 2.10.10 that Transco NTS shall first have made any call upon or taken any steps to enforce or realise any Security.

2.10.12 Before Transco NTS shall take the action envisaged by paragraph 2.10.10, Transco NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable on or after the 7th Business Day following the date the Failure to Supply Further Security Notice was submitted and shall consult with the Energy Balancing Credit Committee to determine whether Transco NTS should be obliged to issue the Termination Notice, pursuant to paragraph 2.10.10, or whether Transco NTS ~~should~~ should defer taking such step.

2.11 Trading System Operator

2.11.1 Without prejudice to the implementation of the other provisions of this Section X in relation to the Trading System Operator, paragraph 2.11.2 shall also apply in relation to the Trading System Operator (and not in relation to any other User).

2.11.2 Where the amount of the Trading System Operator's Outstanding Relevant Balancing Indebtedness exceeds 60% of its Secured Credit Limit:

- (a) Transco NTS shall convene a meeting of the Energy Balancing Credit Committee, to be held as soon as is reasonable;
- (b) the Energy Balancing Credit Committee shall consider the delayed or modified implementation of the provisions of this Section X in relation to the Trading

System Operator; and

- (c) where the Energy Balancing Credit Committee ~~approve~~approves the delayed or modified implementation of the provisions of this Section X in relation to the Trading System Operator, Transco NTS shall implement the provisions of this Section X in the manner and for such period as the Energy Balancing Credit Committee ~~have~~has approved.

2.11.3 For the purposes of paragraph 2.11.2(b), the Energy Balancing Credit Committee may:

- (a) delay the application of paragraph 2.6 until such time as the Trading System Operator's Outstanding Relevant Balancing Indebtedness exceeds such other amount as the Energy Balancing Credit Committee ~~approve~~approves (which such amount may exceed 100% of the Trading System Operator's Secured Credit Limit);
- (b) authorise Transco NTS to withhold amounts payable to the Trading System Operator by Transco NTS pursuant to any Energy Balancing Invoice until such time as the Trading System Operator's Outstanding Relevant Balancing Indebtedness no longer exceeds such amount as the Energy Balancing Credit Committee ~~have~~has approved;
- (c) authorise Transco NTS to withhold the payment of interest payable to the Trading System Operator pursuant to Section S (and where Transco NTS is so authorised Transco NTS shall be relieved from its obligation to pay interest under Section S);
- (d) authorise Transco NTS to take other such steps in respect of the implementation of the provisions of this Section X as it considers to be reasonable; and
- (e) require the Trading System Operator to take such steps as it considers, in the context of this Section X, to be reasonable.

2.11.4 For the purposes of this paragraph 2.11, the Energy Balancing Credit Committee may, for such period as the Energy Balancing Credit Committee determines, request:

- (a) Transco NTS provide details of any steps taken by Transco NTS in implementing the provisions of this Section X in relation to the Trading System Operator;
- (b) the Trading System Operator provide details of:
 - (i) the levels of security cover and other credit facility and security arrangements in place with Users and third parties for the purposes of the Trading System Arrangements ("**other credit arrangements**");
 - (ii) historic and current levels of utilisation of credit facilities by Users under the other credit arrangements;
 - (iii) current projections of its future cash flows;
 - (iv) ~~of~~ any steps taken by the Trading System Operator in

relation to Users pursuant to the other credit arrangements;
and

- (v) a trend analysis of the Trading System Operator's trading activities and data on the movement of the Trading System Operator's Outstanding Relevant Balancing Indebtedness,

and where requested Transco NTS and the Trading System Operator shall provide such information as soon as is reasonably practicable.

2.11.5 Nothing in paragraph 2.11.4 shall require Transco NTS or the Trading System Operator to disclose information which it is otherwise prohibited from disclosing pursuant to this Section V5 or the Trading System Arrangements.

3 PAYMENT OF ENERGY BALANCING INVOICES

3.1 Resolution of queries after payment in full

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

3.2 Failure to make payment

3.2.1 Where a User does not pay the Net Invoice Amount under an Energy Balancing Invoice in full on the Invoice Due Date, notwithstanding Section V4.3.1(a) Transco NTS shall be entitled to, and as soon as reasonably practicable after the Invoice Due Date will, submit to the User a notice, substantially in the form set out in the Energy Balancing Credit Rules, notifying the User that Transco NTS will give Termination Notice to the User if the User does not pay the outstanding amount of the Net Invoice Amount in full by the 5th Business Day after the date of such notice.

3.2.2 Where Transco NTS has given notice to a User under paragraph 3.2.1 and the User has not paid the outstanding amount of the Net Invoice Amount in full by the 5th Business Day following the date of such notice, Transco NTS shall be entitled to and, subject to paragraph 3.2.5, as soon as reasonably practicable after such 5th Business Day may, give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date of the Termination Notice.

3.2.3 Transco NTS will send a copy of any notice given under paragraph 3.2.1 or 3.2.2 to the Authority and without prejudice to paragraph 1.2.5, will notify the Energy Balancing Credit Committee that such a notice has been issued.

3.2.4 Where:

- (a) Transco NTS has given notice to a User under paragraph 3.2.1, and until the Net Invoice Amount under the relevant Energy Balancing Invoice is paid in full; or
- (b) a User is a Defaulting User

Transco NTS will not pay and (irrespective of the Invoice Due Date) shall be entitled to

withhold payment pursuant to any Energy Balancing Invoice in respect of, any amounts payable to the User in respect of Energy Balancing Charges ("**relevant amounts**") (and no interest shall accrue and be payable on any such amounts from the Invoice Due Date until the day on which the payment is made) and Transco NTS shall instead pay the relevant amounts into the User's Cash Call Account.

- 3.2.5 Before Transco NTS shall take the action envisaged by paragraph 3.2.2, Transco NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable on or after the 5th Business Day following the date of the notice given to the User pursuant to paragraph 3.2.1 and shall consult with the Energy Balancing Credit Committee to determine whether Transco NTS should be obliged to issue the Termination Notice pursuant to paragraph 3.2.2, or whether Transco NTS should defer taking such step.

3.3 **Securities**

- 3.3.1 Transco NTS may make or take any step to enforce and realise any Security at any time after Transco NTS has given notice to the User under paragraph 3.2.1 at which any part of the Net Invoice Amount under any Energy Balancing Invoice remains outstanding.

- 3.3.2 It shall not be a condition to Transco NTS's giving Termination Notice under paragraph 3.2.2 that Transco NTS shall first have taken any steps to enforce or realise any Security.

3.4 **Enforcement and recovery steps**

- 3.4.1 For the purposes of this paragraph:

- (a) "**Transportation Debt**" means unpaid indebtedness of a defaulting User in respect of any amount payable under the Code other than Energy Balancing Charges;
- (b) "**Energy Balancing Debt**" means unpaid indebtedness of a defaulting User in respect of Energy Balancing Charges;
- (c) "**Recovery Steps**" are any steps (including any proceedings in any court, and including the defence of any counterclaim or other claim, proceeding or application made or brought by the User or a provider of security in connection with any such step taken by Transco NTS) taken by Transco NTS to recover any Energy Balancing Debt or Transportation Debt from a defaulting User, or to enforce or realise any security (including Security) provided by a defaulting User, or to enforce any judgment against a defaulting User, or to make any claim in any insolvency proceedings relating to a defaulting User;
- (d) "**Recovered Amounts**" means amounts recovered (by way of payment of debt or damages or otherwise) by Transco NTS as a result of taking Recovery Steps;
- (e) "**Recovery Costs**" means all fees, costs and expenses (including any payments Transco NTS may be required to make by way of damages or costs or otherwise by any court) incurred by Transco NTS in taking Recovery Steps (but not including amounts in respect of Transco NTS 's own internal costs and expenses);

- (f) Recovered Amounts or Recovery Costs are:
- (i) "**energy balancing exclusive**" where such amounts or costs were recovered or incurred:
 - (1) in respect of or pursuant to Recovery Steps relating wholly or substantially wholly to a Security; or
 - (2) after Transco NTS has informed the Energy Balancing Credit Committee that Transco NTS has decided not to take further Recovery Steps in respect of Transportation Debt;
 - (ii) "**transportation exclusive**" where such amounts or costs were recovered or incurred:
 - (1) in respect of or pursuant to Recovery Steps relating wholly or substantially wholly to an instrument which secures only Transportation Debt; or
 - (2) after Transco NTS has been requested by the Energy Balancing Credit Committee not to take further Recovery Steps in respect of the relevant Energy Balancing Debt;
- and otherwise are "**shared**";
- (g) the "**energy balancing proportion**" and the "**transportation proportion**" are the aggregate amounts of a defaulting User's Energy Balancing Debt or (as the case may be) Transportation Debt outstanding at the User Discontinuance Date, and before the application of any Recovered Amounts in or towards satisfaction of such amounts, each as a proportion of the sum of such amounts;
- (h) particular Recovered Amounts and Recovery Costs are "**associated**" where such amounts are recovered pursuant to Recovery Steps in taking which such costs are incurred.

3.4.2 Transco NTS agrees that it will, subject to the further provisions of this paragraph 3.4, take all reasonable steps to recover Energy Balancing Debt from a defaulting User, and to enforce and realise the Security provided by a defaulting User; provided that nothing in this Section X shall require Transco NTS to initiate or continue any Recovery Steps where to do so would in Transco NTS's reasonable opinion expose Transco NTS or any representative of Transco NTS to any material risk or liability against which Transco NTS is not adequately protected by virtue of paragraphs 3.4.4 and 3.4.6.

3.4.3 Transco NTS will consult with the Energy Balancing Credit Committee and keep such committee reasonably informed as to the Recovery Steps it takes in relation to Energy Balancing Debt, and circumstances in which Transco NTS does not consider it commercially worthwhile to take or continue to take such Recovery Steps in relation to Transportation Debt; and will and shall be entitled to discontinue taking Recovery Steps (other than any steps necessary for such discontinuance) where the Energy Balancing Credit Committee has authorised it to do so.

3.4.4 Transco NTS shall be entitled to apply any Recovered Amounts first in or towards payment of the associated Recovery Costs.

- 3.4.5 Subject to Section V4.4.2, the balance (after application in accordance with paragraph 3.4.4) of any Recovered Amounts will be applied as follows:
- (a) in the case of energy balancing exclusive Recovered Amounts, as to the whole of such balance, as an additional Monthly Neutrality Adjustment Revenue (by way of application towards the relevant Energy Balancing Debt) in accordance with Section F4 in the month in which Transco NTS receives payment in respect of the Recovery Amount;
 - (b) in the case of transportation exclusive Recovered Amounts, as to the whole of such balance, in or towards satisfaction of any Transportation Debt;
 - (c) in the case of shared Recovery Amounts, as to the energy balancing proportion thereof (but not exceeding the amount of unpaid Energy Balancing Debt), as an additional Monthly Neutrality Adjustment Revenue (by way of application towards the relevant Energy Balancing Debt) in accordance with Section F4 in the month in which Transco NTS receives payment in respect of the Recovery Amount, and as to the transportation proportion thereof, in or towards satisfaction of any Transportation Debt.
- 3.4.6 Where the amount of Transco NTS's Recovery Costs exceeds the amount (if any) of the associated Recovery Amounts:
- (a) in the case of energy balancing exclusive Recovery Costs, the whole of the excess will be an additional Monthly Neutrality Adjustment Cost in accordance with Section F4 in the month in which Transco NTS pays such amount;
 - (b) in the case of shared Recovery Costs, the energy balancing proportion of the excess will be an additional Monthly Neutrality Adjustment Cost in accordance with Section F4 in the month in which Transco NTS pays such amount.

4 APPOINTMENT OF RECEIVER

- 4.1 Subject to paragraph 4.2, where Section V4.3.3(b) applies, Transco NTS shall, as soon as reasonably practicable, give Termination Notice (for the purposes of Section V4.3.3) to the User to the effect that the User shall cease to be a User with effect from the Day following the date set out in the Termination Notice.
- 4.2 Before Transco NTS shall take the action envisaged by paragraph 4.1, Transco NTS shall convene a meeting of the Energy Balancing Credit Committee as soon as reasonably practicable following the failure of the receiver, administrator, trustee-in-bankruptcy or foreign insolvency practitioner (as appropriate) to provide those assurances referred to in Section V4.3.34.3.5(b) and shall consult with the Energy Balancing Credit Committee to determine whether Transco NTS should be obliged to issue the Termination Notice, pursuant to paragraph 4.1, or whether Transco NTS should defer taking such step.
- 4.3 Subject to paragraph 1.3, Transco NTS shall be entitled to take such action as the Energy Balancing Credit Committee recommends pursuant to the meeting referred to in paragraph 4.2.1 as soon as reasonably practicable.