

30/09/2003

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0629**

"Minimum Level of Security for Energy Balancing"

Please note that Modification Proposal No 0629 will be implemented with effect from 06:00 hours on 01/12/2003. The Final Modification Report, Version 1.0, was signed by Ofgem on 30/09/2003.

The new Network Code text resulting from this Modification follows.

Modified Text:

Supplement

Add new paragraph 2.6.4 to read as follows (and renumber existing paragraphs 2.6.4 and 2.6.5 as paragraphs 2.6.5 and 2.6.6 respectively):

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

Amend renumbered paragraph 2.6.5 to read as follows:

"...where a Cash Call or Further Security Request is submitted....".

Amend renumbered paragraph 2.6.6 to read as follows:

"Paragraph 2.6.5....".

Add new paragraph 2.10 to read as follows:

2.10 **Further Security Request**

2.10.1 Where this paragraph 2.10 applies Transco 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 Supplement 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:

- (i) a Further Security Request (the "**relevant**" Further Security Request) has been submitted to a User;
- (ii) the User considers it inappropriate that is 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, 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:

- (i) the relevant Further Security Request (and the obligation to provide further, additional or revised Security) will be suspended, subject to paragraph 2.10.5;
- (ii) Transco will review the details provided by the User and will review the calculations made of the User's Outstanding Relevant Code Indebtedness;
- (iii) if requested by Transco 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 will as soon as reasonably practicable (and wherever possible within 24 hours after the User's notification under paragraph 2.10.3):

- (i) 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;
- (ii) 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 in respect of a relevant Further Security Request (whether or not revised under paragraph 2.10.5).

2.10.7 Where Transco 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 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 shall:

- (i) be entitled to disregard a request purportedly so made pursuant to paragraph 2.8.6;
and

(ii) 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:

- (i) the date the Further Security Request was submitted; or
- (ii) 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 shall submit to the User a Failure to Supply Further Security Notice in a form set out in the Energy Balancing Credit Rules.

2.10.10 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 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 shall send a copy of any notice given under this paragraph 2.10.9 to the Director."

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

Yours sincerely,

Julian Majdanski
Modification Panel Secretary