

22/10/2007

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0146**

“Acceptable Security Tools available to Users for Transportation Credit Arrangements”

Please note that Modification Proposal No 0146 will be implemented with effect from 06:00 hours on 23/10/2007. The Final Modification Report, Version 5.0, was signed by Ofgem on 19/10/2007.

The new Code text resulting from this Modification follows.

Modified Text:

**UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL
DOCUMENT**

TPD SECTION B: SYSTEM USE AND CAPACITY

Amend paragraph 2.2.14 as follows:

2.2.14 Following a notice...provide adequate surety or security (in accordance with Section V 3.4.5), all monthly...

Amend paragraph 2.2.16 as follows:

2.2.16 Following a notice under paragraph 2.2.15...provide adequate surety or security (in accordance with Section V3.4.5), the User’s Registered...

TPD SECTION V: GENERAL

Amend heading under paragraph 3.4 to read as follows:

“Security under Code”

Amend paragraph 3.4.1 to read as follows:

3.4.1 Any instrument of surety or security provided by a User pursuant to paragraph 3.4.6 (and whether...

Amend paragraph 3.4.2 to read as follows:

3.4.2 Where a User has provided surety or security pursuant to paragraph 3.4.6 the User (or the person giving the surety) may request the Transporter to release all or any of such security or agree to a reduction in any maximum amount of such surety.

Amend paragraph 3.4.5 to read as follows:

"For the purposes of Code:

"Bi-lateral Insurance" shall mean an policy of insurance (that is unconditional in order to attain 100% of its face value) for the benefit of the Transporter, provided by a Qualifying Company and in such form as is acceptable to the Transporter;

"Deposit Deed" shall mean an agreement that is Enforceable and in such form as provided to the User from time to time by the Transporter enabling the deposit of cash as surety or security or advance payments by a User;

"Enforceable" shall mean the Transporter (acting reasonably) is satisfied that the instrument of security is legally enforceable and in this respect, where security is provided by a company registered outside of England and Wales, the country of residence of such company must have a sovereign credit rating of at least A awarded by Moody's Investors Services or such equivalent rating by Standard and Poor's Corporation (where such ratings conflict, the lower of the two ratings will be used) and the User shall at its own expense provide such legal opinion as the Transporter may reasonably require;

"Letter of Credit" shall mean an unconditional irrevocable standby letter of credit in such form as provided to the User from time to time by the Transporter from such bank as the Transporter may approve, (provided that payment may be made at a United Kingdom branch of such issuing bank) with a long term debt rating of not less than A provided by Moody's Investors Services or equivalent rating by Standard and

Poor's Corporation (where such ratings conflict, the lower of the two ratings will be used);

"Guarantee" shall mean an on demand irrevocable guarantee or performance bond provided by a Qualifying Company or a Parent Company that is Enforceable and in such form as provided to the User from time to time by the Transporter;

"Prepayment Agreement" shall mean an agreement between the Transporter and the User that is Enforceable and in such form as provided to the User from time to time by the Transporter with the purpose of enabling a User to make payments of amounts calculated on a monthly basis by the Transporter (using an accrual methodology set out therein) as representing the Transporter's estimate of the amounts (other than in respect of Energy Balancing Charges) which will become due by the User to the Transporter in a charging month;

"Parent Company" shall mean:

- (i) in the case of a company registered in England and Wales a public or private company within the meaning of section 1(3) of the Companies Act 1985 with a long term debt rating of at least BB- provided by Standard and Poor's Corporation or equivalent rating by Moody's Investors Services (where such ratings conflict, the lower of the two will be used) that is either a shareholder of the User or any holding company of such shareholder (the expression holding company having the meaning assigned thereto by section 736, Companies Act 1985 as supplemented by Section 144(3) Companies Act 1989); or
- (ii) in the case of an entity registered outside of England and Wales, such equivalent entity to (i) above that is acceptable to the Transporter, acting reasonably;

"Qualifying Company" shall mean:

- (i) in the case of a company registered in England and Wales a public or private company within the meaning of section 1(3) of the Companies Act 1985 that has a long term debt rating of at least A by Moody's Investors Services or equivalent rating

by Standard and Poor's Corporation (where such ratings conflict, the lower of the two will be used); or

(ii) in the case of an entity registered outside of England and Wales, such equivalent entity to (i) above that is acceptable to the Transporter, acting reasonably.

Delete paragraph 3.4.6 and replace with the following:

"A User may extend its exposure beyond its Unsecured Credit Limit by providing surety or security in one or more of the forms set out below:

- (a) Bi-lateral Insurance; and/or
- (b) Letter of Credit; and/or
- (c) Guarantee; and/or
- (d) Deposit Deed; and/or
- (e) Prepayment Agreement;

provided that where an instrument of surety or security is conditional, the Transporter may agree with the User a value below 100% of its full face value. Where the value of the instrument of surety or security cannot be agreed between the User and the Transporter, the User may refer such dispute to Expert Determination in accordance with GT Section A, paragraph 2."

Delete paragraph 3.4.7.

Yours sincerely,

Julian Majdanski
Modification Panel Secretary