

**SUMMARY PAGE for SECTION M: CREDIT COVER AND CREDIT DEFAULT** (*Version 10.0 including all Approved Modifications awaiting implementation*)

<b>Modification Proposal</b>	<b>Ofgem Decision Date</b>	<b>Implementation Date</b>	<b>Sub Section Affected</b>
P98	18/08/03	08/11/04	1.3.1(b), 1.3.2(a), 3.3.5(e), 4.2.3
P127	22/12/03	15/03/04	2.3.1(c), 2.3.1A
P123	08/09/03	27/02/04	1.2.1(f), 1.7, 3.4.3(a)(b)
P122	10/09/03	19/09/03	1.2.1(f), 1.5A, 1.7, 3.4.3(a)(b)

## SECTION M: CREDIT COVER AND CREDIT DEFAULT

### 2. CREDIT COVER AND ENERGY CREDIT COVER

Amend paragraph 2.1.1 as follows:

#### 2.1 Provision of Credit Cover

2.1.1 A Trading Party may on any Business Day provide Credit Cover by delivering to the FAA on behalf of the BSC Clearer:

- (a) a Letter of Credit valid for an initial period of not less than 3 months; ~~or~~ and/or
- (b) cash which will be credited by the FAA on behalf of the BSC Clearer to the Reserve Account; ~~or~~
- (c) (in the case of a Trading Party that forms part of the same company group as another Trading Party) a Consolidated Letter of Credit.

Add new paragraph 2.1.1A as follows:

2.1.1A For the purposes of this Section M a Trading Party will form the same "company group" as another Trading Party where it is an Affiliate of that Trading Party.

Amend paragraph 2.1.2 as follows:

2.1.2 A Trading Party may from time to time (by giving notice to the FAA) alter the amounts provided (as Credit Cover) between different Letters of Credit, Consolidated Letters of Credit and/or by way of Letter of Credit, Consolidated Letter of Credit and cash, provided that (but without prejudice to paragraph 2.3.1) the amount of the Credit Cover provided by the Trading Party is not thereby reduced.

Amend paragraph 2.1.3 as follows:

2.1.3 The amount of a Trading Party's Credit Cover at any time shall be:

- (a) the sum of:
  - (i) the maximum undrawn amount for the time being of any Letter of Credit delivered by it; ~~or~~
  - (ii) (where the Trading Party has delivered a Consolidated Letter of Credit) the maximum undrawn amount for the time being of that Consolidated Letter of Credit applicable to that Trading Party; and
  - (iii) the principal amount of any cash paid by it (for value not later than that time) and credited to the Reserve Account by the FAA on behalf of the BSC Clearer;

less

- (b) the sum of any amounts payable by the Trading Party in respect of Trading Charges which:
  - (i) have become due for payment and have not been paid by the Trading Party on the relevant Payment Date in accordance with Section N, and

- (ii) remain unpaid at such time.

Provided that if the amount so determined is negative, the amount of the Credit Cover shall be zero.

- 2.1.4 The form of Letter of Credit (subject as provided in the definition thereof) is set out in Annex M-1.

Add new paragraph 2.1.5 as follows:

2.1.5 The form of Consolidated Letter of Credit (subject as provided in the definition thereof) is set out in Annex M-2.

## 2.2 Letter of Credit

2.2.1A For the purposes of this paragraph 2.2, a reference to a Letter of Credit shall include a Consolidated Letter of Credit.

2.2.1 Without prejudice to paragraphs 2.1.2 and 2.3, where a Trading Party has delivered a Letter of Credit (the "**current**" Letter of Credit) by way of providing Credit Cover:

- (a) not later than 10 Business Days before the current Letter of Credit is due to expire, the Trading Party shall:
  - (i) provide to the FAA confirmation from the issuing bank that the validity of the current Letter of Credit will be extended by a further period of not less than 3 months, or
  - (ii) provide to the FAA a new Letter of Credit, valid for a period of not less than 3 months commencing not later than the expiry of the current Letter of Credit and for an amount not less than that of the current Letter of Credit;
- (b) if at any time the issuing bank ceases to have the required credit rating specified in the definition of Letter of Credit, the Trading Party shall forthwith and in any event within 3 Business Days after notice from the FAA, either:
  - (i) provide to the FAA a new Letter of Credit, issued by a bank which has such required credit rating, valid for a period of not less than 3 months; and/or
  - (ii) deliver cash to the FAA on behalf of the BSC Clearer in accordance with paragraph 2.1.1

and the amount of any new Letter of Credit plus cash so delivered shall not less than that of the current Letter of Credit;

- (c) where paragraph (b) applies, the current Letter of Credit shall continue to be counted in determining the Trading Party's Credit Cover during the period (of up to 3 Business Days) until the Trading Party provides a new Letter of Credit as referred to in that paragraph.

2.2.2 If in relation to a Letter of Credit a Trading Party fails to comply (by the time therein required) with paragraph 2.2.1(a) or (b), the FAA on behalf of the BSC Clearer shall immediately, without notice to the Trading Party, demand payment of the entire amount of the Letter of Credit and credit the Reserve Account with the proceeds.

- 2.2.3 Where a Trading Party has provided a Letter of Credit, the FAA shall notify the Trading Party of the date on which it is due to expire, not less than 20 Business Days before that date (but any failure of the FAA to do so shall not prejudice the application of paragraphs 2.2.1 and 2.2.2).

*Amend paragraph 2.3.1 as follows:*

**2.3 Reduction of Credit Cover**

2.3.1 If a Trading Party wishes at any time to reduce the amount of its Credit Cover:

- (a) the Trading Party shall give notice to that effect to the ECVAA;
- (b) the ECVAA shall determine and notify to the FAA and the Trading Party, on the first Business Day after the expiry of the waiting period, the minimum eligible amount;
- (c) the Trading Party may, not later than the second Business Day following the ECVAA's notification under paragraph (b), by notice to the FAA request, and the FAA on behalf of the BSC Clearer shall consent to:
  - (i) a reduction in the amount of a Letter of Credit provided by the Trading Party, *and/or*
  - (ii) (in the case of a Trading Party that has delivered a Consolidated Letter of Credit) a reduction in the amount applicable to that Trading Party only; and/or
  - (iii) a withdrawal of cash deposited by the Trading Party

**SUMMARY PAGE for SECTION N: CLEARING, INVOICING & PAYMENT** (*Version 5.0*  
*including all Approved Modifications awaiting implementation*)

<b>Modification Proposal</b>	<b>Ofgem Decision Date</b>	<b>Implementation Date</b>	<b>Sub Section Affected</b>
P127	22/12/03	15/03/04	2.5.2, 2.5.4

Add new Annex M-2 as follows:

**ANNEX M-2**

**Consolidated Form of Letter of Credit**

To: Elxon Clear Limited (the "BSC Clearer")

At the request of [name of Trading Parties] (the "applicants") we have opened in favour of the BSC Clearer our irrevocable Consolidated Letter of Credit Number ( ) set out below for the following amounts which shall be available for drawing up to the maximum amount under this Consolidated Letter of Credit as set out below:

[Insert details of Trading Party] £[ ] (amount in words)

[Insert details of Trading Party] £[ ] (amount in words)

[Insert details of Trading Party] £[ ] (amount in words)

[Insert details of Trading Party] £[ ] (amount in words)

Total Amount Available £[ ] (amount in words)

The amount available under this Consolidated Letter of Credit applicable to each applicant is available against sight drafts issued by the BSC Clearer accompanied by a signed statement issued by the BSC Clearer that the relevant applicant [details of Trading Party] has failed to pay to BSC Clearer the amount you are claiming under the terms of the Balancing and Settlement Code (as modified from time to time, the "Code".)

The total amount available under this Consolidated Letter of Credit is available against sight drafts issued by the BSC Clearer accompanied by a signed statement issued by the BSC Clearer that the total amount of the Consolidated Letter of Credit has become payable pursuant to the Code by reason of this Consolidated Letter of Credit not being extended or replaced in accordance with the requirements of the Code; or

that we have ceased to have the credit rating required under the Code.

Payments under this Consolidated Letter of Credit shall be effected immediately to [insert relevant account details].

Partial drawings are allowed hereunder.

The amount available under this Consolidated Letter of Credit shall be reduced by the amount of any payment made under this Consolidated Letter of Credit.

The amount applicable to each applicant shall be reduced by the amount of any payment made in respect of such applicant.

Claims under this Consolidated Letter of Credit shall be made at the counters of [insert details of the branch of the issuing/advising/confirming bank].

This Consolidated Letter of Credit expires on [ ].

We waive any right to set off against any amount payable hereunder any claims we may have against you.

Any sight draft and statement to be issued by the BSC Clearer for the purposes of this Consolidated Letter of Credit may be signed by [insert name of FAA] (the "FAA") on behalf of the BSC Clearer.

Any demand hereunder must comply with all the above requirements and signatures (on behalf of the BSC Clearer or the FAA) thereon must be confirmed by your Bankers.

This Consolidated Letter of Credit is subject to Uniform Customs and Practice for Documentary Credits (1993 Revision) Publication No.500 published by the International Chamber of Commerce.

We undertake that drafts and documents drawn under and in strict conformity with the terms of this credit will be honoured upon presentation.

This Consolidated Letter of Credit shall be governed by and construed in accordance with English law.

For and on behalf of [ ] Bank [Plc].



**9. PAYMENT DEFAULT**

*Add new paragraph 9.1.1A as follows:*

9.1.1A For the purposes of this paragraph 9 references to a Letter of Credit shall include a Consolidated Letter of Credit except that any amount available to the FAA in respect of a Non-paying BSC Debtor shall:

- (a) be the amount applicable to the relevant Trading Party under the Consolidated Letter of Credit; and
- (b) not include any amounts applicable to any other Trading Party under the Consolidated Letter of Credit.

*Add the following new definitions to Annex X-1*

**ANNEX X-1: GENERAL GLOSSARY**

**“Consolidated Letter of Credit”:**

means:

an unconditional, irrevocable standby letter of credit substantially in the form set out in Annex M-2 (or such other form as the Panel may approve) in sterling in favour of the BSC Clearer by any United Kingdom clearing bank or banks or any other bank or banks which has (have) a long term debt rating of not less than single A by Standard and Poor’s Corporation or by Moody’s Investor’s Service, Inc. or such other bank or banks as the Panel may approve, and which shall be available for payment at a London Branch of the issuing bank,

