

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

Amend paragraph 2.4.2 as follows:

- 2.4.2 The FAA shall (subject to paragraph 2.4.2A below):
- (a) monitor the amount of each Trading Party's Credit Cover;
 - (b) determine in accordance with paragraph 2.4.1 the amount from time to time of each Trading Party's Energy Credit Cover;
 - (c) notify to the ECVAA and the Trading Party the amount of each Trading Party's Energy Credit Cover:
 - (i) on the day on which that Party becomes a Trading Party; and
 - (ii) upon each occasion on which the amount of such Energy Credit Cover changes, as soon as reasonably practicable after becoming aware of the change (and in any event within one Business Day after the change occurs);

Add new paragraph 2.4.2A as follows:

2.4.2A Where in relation to a Trading Party there is in force a Level 2 Credit Default Cure Period, then for the purposes of paragraph 2.4.2(c)(ii) the FAA shall notify to the ECVAA, Trading Party and BSCCo, as soon as possible but not later than one hour from the cessation of the Level 2 Credit Default Cure Period.

Amend paragraph 3.2.5 as follows:

- 3.2.5 If the redetermined Credit Cover Percentage under paragraph 3.2.3(c) is greater than 80%, or if no default query notice was given, the Trading Party shall secure that its Credit Cover Percentage becomes not greater than 75% in relation to at least one Settlement Period in the period (the "Level 1 Credit Default Cure Period"):
- (a) commencing on the expiry of the Query Period, and
 - (b) expiring at 2400 hours on the first Business Day after the day in which the Query Period expires.

Amend paragraph 3.2.6 as follows:

- 3.2.6 At the end of the Level 1 Credit Default Cure Period, if the Credit Cover Percentage (as determined by the ECVAA in relation to each Settlement Period) was greater than 75% in relation to every Settlement Period in the Level 1 Credit Default Cure Period, then subject to an authorisation notice being in force in relation to that Trading Party pursuant to paragraph 3.4 (or if later, with effect from such notice being given):
- (a) the Trading Party shall be in "**Level 1 Credit Default**";

- (b) the ECVAA shall (as soon as reasonably practicable following the expiry of the default cure period) notify the Trading Party that it is in Level 1 Credit Default and post on the BMRS or the BSC Website a Level 1 Credit Default statement in relation to the Trading Party.

Amend paragraph 3.3.1 as follows:

3.3 Level 2 Credit Default

Amend paragraph 3.3.1 as follows:

3.3.1 Subject to paragraphs 3.3.1A and 3.3.8 to 3.3.11 inclusive, If, in relation to any Settlement Period (period J), a Trading Party's Credit Cover Percentage as determined by the ECVAA becomes greater than 90%, irrespective of whether or not Settlement Period J falls in a Query Period or a Level 1 Credit Default Cure Period (in accordance with paragraph 3.2), then subject to an authorisation notice being in force in relation to that Trading Party pursuant to paragraph 3.4 (or if later, with effect from such notice being given):

- (a) the Trading Party shall be in "**Level 2 Credit Default**";
- (b) the ECVAA shall, as soon as reasonably practicable after Gate Closure for Settlement Period J, notify the Trading Party that it is in Level 2 Credit Default and post a Level 2 Credit Default statement on the BMRS or the BSC Website in relation to the Trading Party.

Add new paragraph 3.3.1A as follows:

3.3.1A If, in relation to a Settlement Period (period J) a Trading Party's Credit Cover Percentage as determined by the ECVAA becomes greater than 90%, and a Level 2 Credit Default Cure Period is in force, then:

- (a) that Trading Party shall not be in Level 2 Credit Default; and
- (b) for the duration of the Level 2 Credit Default Cure Period plus one hour, the provisions of paragraphs 3.3.1 and 3.3.3 shall not be applied.

Amend paragraph 3.3.2 as follows:

3.3.2 Subject to paragraphs 3.3.1A and 3.3.8 to 3.3.11 inclusive, ~~t~~The Trading Party will cease to be in Level 2 Credit Default with effect from Gate Closure for the next Settlement Period (if any) in relation to which the Trading Party's Credit Cover Percentage becomes not greater than 90%; and as soon as practicable after Gate Closure for that Settlement Period the ECVAA will cancel the Level 2 Credit Default statement on the BMRS or the BSC Website.

Amend paragraph 3.3.3 as follows:

3.3.3 Where a Trading Party is in Level 2 Credit Default:

- (a) for the purposes of the provisions of Section P as to the refusal and rejection of Energy Contract Volume Notifications and Metered Volume Reallocation Notifications, subject to paragraphs 3.3.1A, 3.3.5 and 3.3.8 to 3.3.11 inclusive:
 - (i) the "**Credit Default Refusal Period**" is the period from Gate Closure for Settlement Period J until Gate Closure for the Settlement Period after the first subsequent Settlement Period in relation to

which the Credit Cover Percentage for the Trading Party becomes not greater than 90%;

(ii) the '**Credit Default Rejection Period**' is the period from Gate Closure for Settlement Period J+3 until Gate Closure for the third Settlement Period after the first subsequent Settlement Period in relation to which the Credit Cover Percentage for the Trading Party becomes not greater than 90%;

(b) as soon as reasonably practicable after Gate Closure for Settlement Period J, the ECVAA will post on the BMRS or (as the case may be) the BSC Website a notice of the start of the Credit Default Rejection Period in relation to the Trading Party (but a failure to post such notice will have no effect in relation to the start of the Credit Default Rejection Period).

Add new paragraphs 3.3.8 to 3.3.11 as follows:

3.3.8 A Trading Party shall be entitled to a Level 2 Credit Default Cure Period where:

(a) in respect of a Settlement Period falling outside of Business Hours, the ECVAA determines that the Trading Party's Credit Cover becomes greater than 90% but less than 100%; and

(b) the previously or concurrently triggered Query Period does not overlap Business Hours.

3.3.9 Upon the expiry of the Query Period either BSCCo or the ECVAA shall promptly give notice of the commencement of the Level 2 Credit Default Cure Period to the following:

(a) the Trading Party; and

(b) the FAA.

3.3.10 The Level 2 Credit Default Cure Period shall expire at 11.00 a.m. on the first Business Day following expiry of the Query Period.

3.3.11 Where at any time in the period lasting the duration of the Level 2 Credit Default Cure Period plus one hour, the Trading Party's Credit Cover Percentage becomes greater than 100%, then:

(a) in relation to that Trading Party any Level 2 Credit Default Cure Period shall cease with immediate effect; and

(b) such Trading Party shall be in Level 2 Credit Default.

ANNEX X-1: GENERAL GLOSSARY (*Version 19.0 including all Approved Modifications awaiting implementation*)

Add new definition as follows:

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| <u>“Business Hours”:</u> | <u>means the times from 0900 hours to 1700 hours on a Business Day;</u> |
| <u>“Level 1 Credit Default Cure Period”:</u> | <u>has the meaning given to that term in Section M3.2.5;</u> |
| <u>“Level 2 Credit Default Cure Period”:</u> | <u>means the period as established in Sections M3.3.8 to 3.3.10;</u> |