

LEGAL TEXT FOR PROPOSED MODIFICATION P307

SECTION M: CREDIT COVER AND CREDIT DEFAULT (Version 22.0)

Amend Section 2.4.2 as follows:

2.4 Determination of Energy Credit Cover

2.4.2 The FAA shall:

- (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 ECVAAs, ~~and the Trading Party (and, following a Level 2 Credit Default Cure Period,~~ BSCCo) 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 ~~(provided that, in the event that any such change occurs earlier than one hour before the end of a Level 2 Credit Default Cure Period that expires at 1200 hours on a Business Day, prior to the expiry of such Level 2 Credit Default Cure Period, and, in any other event, within one Business Day after such change occurs).~~

Amend Section 3.2.2 as follows:

3.2 Level 1 Credit Default

3.2.2 In relation to any level 1 default notice, the "Query Period" is the period commencing at Gate Closure for the Settlement Period in relation to which the ECVAAs determine that the Trading Party's Credit Cover Percentage becomes greater than 80% and ending after the shortest duration to include:

- (a) 24 hours; and
- (b) five consecutive hours occurring during Business Hours in a single Business Day

~~-after the time at which the level 1 default notice is treated as received by the Trading Party (in accordance with Section O).~~

Remove Sections 3.3.8, 3.3.9 and 3.3.10 as follows:

3.3 Level 2 Credit Default

3.3.1 If, in relation to any Settlement Period (period J), a Trading Party's Credit Cover Percentage as determined by the ECVAAs 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.
- 3.3.2 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.
- 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 paragraph 3.3.5:
 - (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).
- 3.3.4 For the purposes of paragraph 3.3.3, a relevant Query Period is the Query Period in relation to any Settlement Period, not later than Settlement Period J, for which the Trading Party had given a default query notice.
- 3.3.5 The following provisions apply for the purposes of addressing delays in the completion of credit checking (and references in the Code to Credit Default Refusal Periods and Credit Default Rejection Periods shall be construed accordingly):
- (a) a Credit Default Refusal Period and a Credit Default Rejection Period shall not commence if credit checking for Settlement Period J is not completed by the half-hour deadline, but without prejudice to paragraph 3.1.3;
 - (b) a Credit Default Refusal Period excludes the period from Gate Closure for Settlement Period J until credit checking for that Settlement Period is completed;
 - (c) a Credit Default Refusal Period excludes the period (if any) from completion of credit checking for Gate Closure for the first subsequent Settlement Period referred to in paragraph 3.3.3(a)(i) until the half-hour deadline;

- (d) if a Credit Default Refusal Period has commenced and credit checking for any Settlement Period has not been completed by the half-hour deadline, the Credit Default Refusal Period shall be suspended (and accordingly exclude the period) from the time at which the ECVAAs determine that credit checking has not been completed by the half-hour deadline, until such time as credit checking for a Settlement Period is completed by the half-hour deadline;
- (e) if a Credit Default Rejection Period has commenced and credit checking for any Settlement Period (the "relevant" Settlement Period) has not been completed by the half-hour deadline, Gate Closure for the third Settlement Period after the relevant Settlement Period shall be considered (for the purposes of the Code including Sections P2.5.2 and P3.5.2) not to fall within the Credit Default Rejection Period.

3.3.6 For the purposes of paragraph 3.3.5, in relation to each Settlement Period:

- (a) completion of credit checking means the time (determined by the ECVAAs) at which the ECVAAs complete the determination, for each Trading Party, of Credit Cover Percentage pursuant to paragraph 3.1.4(a); and references to credit checking being completed shall be construed accordingly;
- (b) references to a case in which credit checking is not completed by the half-hour deadline include a case where the ECVAAs have earlier determined that it will be unable to complete credit checking by that deadline;
- (c) if requested by BSCCo in relation to any Settlement Period, the ECVAAs will inform BSCCo of the time of completion of credit checking;
- (d) the half-hour deadline means the time of Gate Closure for the following Settlement Period.

3.3.7 Without prejudice to paragraph 3.1.3, where a Trading Party has not been treated as in Level 2 Credit Default in relation to a Settlement Period, irrespective of any error made by the ECVAAs in the application of the provisions of this Section M, no Party may raise a Trading Dispute to the effect that the Trading Party should have been treated as being in Credit Default or that a Credit Default Refusal Period or Credit Default Rejection Period should have commenced in relation to the Trading Party.

3.3.8 ~~Not used. There shall be a Level 2 Credit Default Cure Period in relation to Settlement Period J (in accordance with paragraph 3.3.10) if:~~

- ~~(a) Gate Closure for Settlement Period J occurs outside Business Hours;~~
- ~~(b) the relevant Trading Party's Credit Cover Percentage as determined by ECVAAs became greater than 90% but did not exceed 100% during Settlement Period J;~~
- ~~(c) Settlement Period J falls within a Query Period or a Level 1 Credit Default Cure Period and such Query Period:~~
 - ~~(i) commenced outside of Business Hours; and~~
 - ~~(ii) did not contain a consecutive period of more than two Business Hours; and~~
- ~~(d) the relevant Trading Party's Credit Cover Percentage as determined by ECVAAs did not become greater than 100% during any Settlement Period prior to Gate~~

~~Closure for Settlement Period J within the Query Period or Level 1 Credit Default Cure Period.~~

3.3.9 ~~Not used. The BSCCo shall promptly give notice of the commencement of a Level 2 Credit Default Cure Period to the relevant Trading Party and the FAA.~~

3.3.10 ~~Not used. A Level 2 Credit Default Cure Period shall be a period commencing at Gate Closure for Settlement Period J and:~~

~~(a) (subject to paragraph (c)) where the Query Period referred to in paragraph 3.3.8(e) expires before 1100 hours on a Business Day, such Level 2 Credit Default Cure Period shall expire at 1200 hours on that day;~~

~~(b) (subject to paragraph (c)) where the Query Period referred to in paragraph 3.3.8(e) expires on a day other than a Business Day, such Credit Default Cure Period shall expire at 1200 hours on the next Business Day following the expiry of such Query Period; and~~

~~(c) if, in relation to any Settlement Period, the relevant Trading Party's Credit Cover Percentage becomes greater than 100%, such Level 2 Credit Default Cure Period shall expire at Gate Closure for such Settlement Period.~~

Amend Section 3.4.3 as follows:

3.4 Authorisation by BSCCo

3.4.3 Subject to paragraph 3.4.3A, where the ECVAAs submit to BSCCo a copy of a level 1 default notice under paragraph 3.2.1 in relation to a Trading Party:

(a) BSCCo shall promptly upon the earlier of:

(i) the expiry of the Query Period ~~(where a Level 2 Credit Default Cure Period has not commenced prior to the expiry of such period)~~ during which the relevant Trading Party's Credit Cover Percentage becomes greater than 90%;

(ii) the expiry of Gate Closure for Settlement Period J falling within a Level 1 Credit Default Cure Period during which the relevant Trading Party's Credit Cover Percentage becomes greater than 90% ~~; unless a Level 2 Credit Default Cure Period has commenced;~~

(iii) ~~not used the expiry of a Level 2 Credit Default Cure Period (if any);~~
or

(iv) the expiry of a Level 1 Credit Default Cure Period during which the relevant Trading Party's Credit Cover Percentage becomes not greater than 90%;

give an authorisation notice to the ECVAAs unless:

(1) BSCCo has been notified by the ECVAAs that in the ECVAAs' opinion there is, or

(2) BSCCo otherwise has substantial evidence that, or other reasons to believe that, there is

(in accordance with paragraph 1.2.1(e) and the prevailing principles or guidance established by the Panel in accordance with paragraph 1.7) a material doubt as to whether, at the time, the systems and processes used by the ECVAA are giving correct determinations of the values of Credit Cover Percentage for that Trading Party;

- (b) subject to paragraph (c), BSCCo shall not be required to make any enquiry of the Trading Party or any other person (but in accordance with paragraph 1.2.1(f) will take into account any information already provided by the Trading Party which is relevant to the matter in paragraph (a));
- (c) if (pursuant to paragraph (a)(1) or (2)) BSCCo withholds an authorisation notice:
 - (i) BSCCo shall investigate the matter; and
 - (ii) if at any time it concludes that there is not (or no longer is) any material doubt as to the matter in paragraph (a), BSCCo shall promptly give the authorisation notice.

ANNEX X-1: GENERAL GLOSSARY (v61.0)

Remove the following definition from the general glossary:

~~"Level 2 Credit Default Cure Period": means the period referred to in Section M3.3.10;~~