

## LEGAL TEXT FOR PROPOSED MODIFICATION P342

### SECTION H: GENERAL [Version 20.0]

#### 3. DEFAULT

##### 3.2 Consequences of Default

*Amend paragraph 3.2.2 as follows:*

3.2.2 The rights and steps referred to in paragraph 3.2.1(b) are:

- (a) in relation to Energy Contract Volume Notifications (or, in the case of a Default of the type referred to in paragraph 3.1.1(a) or (b), relevant Energy Contract Volume Notifications, as defined in Section P2.5.3):
  - (i) the right to submit such Energy Contract Volume Notifications under Section P; and/or
  - (ii) the disapplication (for the purposes of Settlement) of any such Energy Contract Volume Notifications as have already been submitted at any time (except to the extent that they relate to Settlement Periods for which ~~Gate Closure~~the Submission Deadline has occurred prior to the time when the Panel notifies the Parties of such disapplication);
- (b) in relation to Metered Volume Reallocation Notifications (or, in the case of a Default of the type referred to in paragraph 3.1.1(a) or (b), relevant Metered Volume Reallocation Notifications, as defined in Section P3.5.3):
  - (i) the right to submit such Metered Volume Reallocation Notifications under Section P; and/or
  - (ii) the disapplication (for the purposes of Settlement) of any such Metered Volume Reallocation Notifications as have already been submitted at any time (except to the extent that they relate to Settlement Periods for which ~~Gate Closure~~the Submission Deadline has occurred prior to the time when the Panel notifies the Parties of such disapplication);
- (c) where the Defaulting Party is an Interconnector User, the rights of such Party to be allocated BM Unit Metered Volumes (of such kinds as the Panel may specify) in respect of its Interconnector BM Units;
- (d) following consultation with the Transmission Company, the right to submit Bid-Offer Pairs under Section Q;
- (e) with the prior approval of the Authority, the right to register further Metering Systems and BM Units;
- (f) the rights to receive reports and data under Section V;
- (g) the right to vote pursuant to Annex B-2.

## SECTION M: CREDIT COVER AND CREDIT DEFAULT [Version 26.0]

### 1. GENERAL

#### 1.2 Energy Indebtedness

*Amend paragraph 1.2.1 as follows:*

1.2.1 For the purposes of the Code:

- (a) in relation to a Settlement Period  $j$  the "**Energy Indebtedness**" ( $EI_{pj}$ , in MWh) of a Trading Party  $p$  shall be the algebraic sum of:
  - (i) the algebraic sum of Actual Energy Indebtedness for Trading Party  $p$  for those Settlement Days  $d$  within the 29 day period for which (at ~~Gate Closure~~the Submission Deadline for Settlement Period  $j$ ), ~~Gate Closure~~the Submission Deadline has passed for the first Settlement Period of the Settlement Day following that on which the Settlement Calendar specifies that the Interim Information Settlement Run for Settlement Day  $d$  is to take place (but excluding those days for which, as a result of a delay in the Interim Information Settlement Run in accordance with Section T1.4, the ECVA does not receive the Interim Information Settlement Run data from the SAA by ~~Gate Closure~~the Submission Deadline for the first Settlement Period of the Settlement Day containing Settlement Period  $j$ );
  - (ii) the algebraic sum of Metered Energy Indebtedness for Trading Party  $p$  in relation to those Settlement Days  $d$  within the 29 day period for which paragraph 1.2.1(a)(i) does not apply, and for which (at ~~Gate Closure~~the Submission Deadline for Settlement Period  $j$ ), ~~Gate Closure~~the Submission Deadline has passed for the first Settlement Period of the Settlement Day following that on which the Settlement Calendar specifies that the Credit Cover Volume Allocation Run for Settlement Day  $d$  is to take place; and
  - (iii) the algebraic sum of Credit Assessment Energy Indebtedness for Trading Party  $p$  in relation to that Settlement Period and all prior Settlement Periods in days falling within the 29 day period for which neither paragraphs 1.2.1(a)(i) or 1.2.1(a)(ii) applies;
- (b) a reference to a Trading Party's Energy Indebtedness at any time is to its Energy Indebtedness in relation to the latest Settlement Period for which ~~Gate Closure~~the Submission Deadline occurred before such time;
- (c) in relation to a Settlement Period, the 29 day period means the period of 29 Settlement Days expiring on (and including) the Settlement Day which includes that Settlement Period;
- (d) for the purposes of paragraph 1.2.1(a)(i), where (by ~~Gate Closure~~the Submission Deadline for the first Settlement Period of the Settlement Day containing the Settlement Period  $j$ ), the ECVA does not receive the Interim Information Settlement Run data from the SAA in accordance with Section T5.3.5 for any Settlement Day  $d$  within the 29 day period to which paragraph 1.2.1(a)(i) applies (other than as a result of a delay in the Interim Information

Settlement Run in accordance with Section T1.4), the ECVAAs shall use the Metered Energy Indebtedness for the Settlement Periods in that Settlement Day d but without prejudice to paragraph 4;

- (e) for the purposes of paragraph 1.2.1(a)(ii), where (by ~~Gate Closure~~the Submission Deadline for the first Settlement Period of the Settlement Day containing the Settlement Period j), the ECVAAs has not received the Credit Cover Volume Allocation Run data from the CDCA in accordance with Section R5.7.1(d) for any Settlement Day d within the 29 day period to which paragraph 1.2.1(a)(ii) applies, the ECVAAs shall use the Credit Assessment Energy Indebtedness for the Settlement Periods in that Settlement Day d but without prejudice to paragraph 4;
- (f) in relation to a Trading Party and Settlement Day, where BSCCo:
- (i) is aware that the ECVAAs has not received relevant Interim Information Settlement Run data from the SAA in accordance with Section T5.3.5; or
  - (ii) is aware that the ECVAAs has not received relevant Credit Cover Volume Allocation Run data from the CDCA in accordance with Section R5.7.1(d); or
  - (iii) has substantial evidence or other reasons to believe that the data to be derived from the Initial Settlement Run for that Trading Party and that Settlement Day are likely to be significantly different (in the context of that particular Trading Party) from the corresponding Interim Information Settlement Run data received by the ECVAAs from the SAA in accordance with Section T5.3.5; or
  - (iv) has substantial evidence or other reasons to believe that the data to be derived from the Initial Volume Allocation Run for that Trading Party and that Settlement Day are likely to be significantly different (in the context of that particular Trading Party) from the corresponding Credit Cover Volume Allocation Run data received by the CDCA in accordance with Section R5.7.1(d);
- the absence of such data or the likelihood of such a significant difference (as the case may be) may, if BSCCo so decides and to the extent that it materially affects matters, constitute a material doubt for the purposes of paragraph 3.4.3(a)(ii); and
- (g) where a Trading Party elects to submit, to BSCCo, such evidence as is referred to in paragraph 1.2.1(e), BSCCo must review that evidence as soon as practicable after receiving it, but must verify any opinion formed in relation to such evidence as soon as practicable after receiving a level 1 default notice (in accordance with paragraph 3.2.1(a)(ii)) in relation to that Trading Party.

*Amend paragraph 1.2.6 as follows:*

- 1.2.6 The ECVAAs shall determine each Trading Party's Energy Indebtedness in relation to each Settlement Period as soon as reasonably practicable after ~~Gate Closure~~the Submission Deadline for that Settlement Period.

### 3. CREDIT DEFAULT STATUS

#### 3.1 General

*Amend paragraph 3.1.4 as follows:*

3.1.4 The ECVAA will:

- (a) for each Settlement Period, as soon as practicable after ~~Gate Closure~~the Submission Deadline, determine the Credit Cover Percentage for each Trading Party; and

#### 3.2 Level 1 Credit Default

*Amend paragraph 3.2.1 as follows:*

3.2.1 If in relation to any Settlement Period a Trading Party's Credit Cover Percentage, as determined by the ECVAA, becomes greater than 80%:

- (a) the ECVAA shall, as soon as possible after ~~Gate Closure~~the Submission Deadline:
  - (i) give notice ("**level 1 default notice**") to the Trading Party to that effect (in addition to the notification under paragraph 3.1.4); and
  - (ii) submit a copy of such notice to BSCCo; and
- (b) the Trading Party may, at any time before the expiry of the Query Period, give notice ("**default query notice**") to the ECVAA that it considers that its Credit Cover Percentage has been determined erroneously, and may provide information supporting its view.

*Amend paragraph 3.2.2 as follows:*

3.2.2 In relation to any level 1 default notice, the "**Query Period**" is the period commencing at ~~Gate Closure~~the Submission Deadline for the Settlement Period in relation to which the ECVAA determines 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).

*Amend paragraph 3.2.7 as follow:*

3.2.7 The Trading Party will cease to be in Level 1 Credit Default with effect from ~~Gate Closure~~the Submission Deadline for the next Settlement Period (if any) in relation to which the Trading Party's Credit Cover Percentage becomes not greater than 75%; and as soon as practicable after ~~Gate Closure~~the Submission Deadline for that Settlement Period the ECVAA will cancel the Level 1 Credit Default statement on the BMRS or (as the case may be) the BSC Website.

#### 3.3 Level 2 Credit Default

*Amend paragraph 3.3 as follows:*

- 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 ECVAAs shall, as soon as reasonably practicable after ~~Gate Closure~~the Submission Deadline 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~~the Submission Deadline 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~~the Submission Deadline for that Settlement Period the ECVAAs 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~~the Submission Deadline for Settlement Period J until ~~Gate Closure~~the Submission Deadline 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~~the Submission Deadline for Settlement Period J+3 until ~~Gate Closure~~the Submission Deadline 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~~the Submission Deadline for Settlement Period J, the ECVAAs 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~~the Submission Deadline 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~~the Submission Deadline 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~~the Submission Deadline 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~~the Submission Deadline 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.

3.3.9 Not used.

3.3.10 Not used.

3.3.11 If in relation to any Settlement Period a Trading Party's Credit Cover Percentage, as determined by the ECVAAs, becomes greater than 100% the ECVAAs shall as soon as reasonably practicable after ~~Gate Closure~~the Submission Deadline:

- (a) give a notice to the Trading Party which states that Trading Party's Credit Cover Percentage and alerts it to the provisions of paragraph H3.1.1(c); and
- (b) submit a copy of such notice to BS~~CS~~Co.

3.3.12 For the avoidance of doubt:

- (a) the application of paragraph 3.3.11 to a Trading Party in relation to a Settlement Period shall not have the effect of excluding the application of any other relevant paragraph of Section M in relation to that Trading Party in that Settlement Period; and
- (b) any failure or delay by the ECVAAs to give a notice required by paragraph 3.3.11 shall not be taken into account for the purposes of determining the expiry of any of the time periods specified in paragraph H3.1.1(c).

### 3.4 Authorisation by BS~~CS~~Co

*Amend Paragraph 3.4.3 as follows:*

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

- (a) BS~~CS~~Co shall promptly upon the earlier of:
  - (i) the expiry of the Query Period during which the relevant Trading Party's Credit Cover Percentage becomes greater than 90%;
  - (ii) the expiry of ~~Gate Closure~~the Submission Deadline 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%;
  - (iii) not used; 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) BS~~CS~~Co has been notified by the ECVAAs that in the ECVAAs' opinion there is, or
- (2) BS~~CS~~Co 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 ECVAAs 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.

*Amend paragraph 3.4.6 as follows:*

3.4.6 Notwithstanding any other provision of this Section M, BSCCo shall and shall be treated as having refused to give to the ECVAA any authorisation notice in relation to the Replacement Supplier in respect of any Settlement Period for which ~~Gate Closure~~the Submission Deadline falls within the first 14 days after the Appointment Day for such Replacement Supplier (counting the Appointment Day itself for these purposes).

#### **4. CREDIT COVER ERRORS AND COMPENSATION**

##### **4.2 Credit Cover Error Compensation**

*Amend paragraph 4.2.2 as follows:*

4.2.2 For a Settlement Period within the Credit Cover Error Period,  $ECA_{pj}$  shall be determined as follows:

$$ECA_{pj} = \{0.02 / (365 * 48)\} * CAP * \{(EEI_{pj} / 0.8) - \max(IECC_p, (EI_{pj} / 0.8))\}$$

where:

$EEI_{pj}$  (Erroneous Energy Indebtedness) is an amount (in £), determined as:

- (i)  $(ECC_p * CCP_{pj})$ , or
- (ii) if  $ECC_p$  is zero,  $EI_{pj}$

in respect of the first error Settlement Period, as incorrectly determined or redetermined (on the basis of the Credit Cover Error) in the application of paragraph 3 as at the expiry of the error Query Period;

$IECC_p$  (Initial Energy Credit Cover) is the correct amount of the Trading Party's Energy Credit Cover as at ~~Gate Closure~~the Submission Deadline for the first error Settlement Period;

$EI_{pj}$  is the Trading Party's Energy Indebtedness for Settlement Period j, as correctly determined after the Credit Cover Error was corrected.



## SECTION P: ENERGY CONTRACT VOLUMES AND METERED VOLUME REALLOCATIONS [Version 17.0]

*Amend paragraph 1.2.4 as follows:*

### 1. GENERAL

#### 1.2 Authorisations - general

1.2.3 An ECVNA Authorisation or MVRNA Authorisation authorises the submission, while it is effective, of Energy Contract Volume Notifications or (as the case may be) Metered Volume Reallocation Notifications, irrespective of the period for which any such notification is to be in force; and accordingly such a notification will be and remain in force notwithstanding that the corresponding authorisation may cease to be effective.

1.2.4 Energy Contract Volume Notifications and Metered Volume Reallocation Notifications shall not be in force with respect to any Settlement Period for which, the Submission Deadline~~Gate Closure~~ is before the time at which such notification is received (in accordance with Section O) by the Energy Contract Volume Aggregation Agent but subject to paragraphs 2.3.10, 3.3.10 and 5.

## ANNEX X-1: GENERAL GLOSSARY [Version 74.0]

*Amend the following definition as follows:*

"**Earliest Nullification Effective Period**":

means the first Settlement Period on that Settlement Day not to have passed ~~Gate Closure~~ the Submission Deadline at the time the ECVAA issues the VNNCR in accordance with P4A.4;

*Insert the following new definition in alphabetical order:*

**"Submission Deadline"**

means for any Settlement Period the spot time 60 minutes after the spot time at the start of that Settlement Period;