

CUSC - SECTION 3

USE OF SYSTEM

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CUSC - SECTION 3

USE OF SYSTEM

3.1 INTRODUCTION

This Section 3 deals with use of the **National Electricity Transmission System** and certain related issues. Part I of this Section sets out general provisions (split into Parts A and B dealing with generation, supply and VLP), Part II sets out charging related provisions and Part III sets out the credit requirements related to **Use of System**. Depending on the category of connection and/or use of a **User**, the Section dealing with **Connection** (Section 2) may also be applicable.

PART IA - GENERAL - GENERATION

This Part IA deals with rights and obligations relating to **Embedded Power Stations, Small Power Station Trading Parties** and to **Distribution Interconnectors**. References to “**User**” in this Part IA should be construed accordingly.

3.2 RIGHTS TO USE THE NATIONAL ELECTRICITY TRANSMISSION SYSTEM

3.2.1 Embedded Use of System

Subject to the other provisions of the **CUSC**, the **Grid Code** and the relevant **Bilateral Embedded Generation Agreement**, and subject to there continuing to be a **Distribution Agreement** with the owner/operator of the **Distribution System**, each **User**, as between **The Company** and that **User**, may in relation to each of its **Embedded** generation sites and each of its **Distribution Interconnectors** transmit (or put, as the case may be) supplies of power on to and/or take supplies of power from the **National Electricity Transmission System** as the case may be.

3.2.2 Embedded Power Station and Distribution Interconnector Conditions

- (a) The rights and obligations of a **User**, and **The Company** in connection therewith, are subject to the following conditions precedent having been fulfilled before such rights and obligations arise:
 - (i) the **User** having provided (in a form reasonably satisfactory to **The Company**) proof of having entered into a **Distribution Agreement** with the owner/operator of the **Distribution System**; and

- (ii) in the case of an **Embedded Small Power Station The Company** having received satisfactory confirmation from the owner/operator of the **Distribution System** as to the running arrangements within the **Distribution System**;
 - (iii) in the case of an **Embedded Small, Medium and Large Power Station**, in relation to a **Small Power Station Trading Party** and in the case of a **Distribution Interconnector**, of the acceptance by the owner/operator of the **Distribution System** of any necessary **Modification Offer** relevant to the **Embedded Power Station or Distribution Interconnector** (as the case may be);
- (b) If the conditions precedent of 3.2.2(a)(i) to (iii) have not been fulfilled in the case of 3.2.2(a)(i) and 3.2.2(a)(ii) within 6 months of the date of the relevant **Bilateral Embedded Generation Agreement** or in the case of 3.2.2(a)(iii) within 3 months of the date of receipt by the owner/operator of the **Distribution System** of the **Modification Offer The Company** or the relevant **User** may rescind the relevant **Bilateral Embedded Generation Agreement** and any associated **Construction Agreement** by giving to the other notice to that effect in which event all rights and liabilities of the parties thereunder and under the **CUSC** in relation to relevant **Embedded Power Stations** or relevant **Distribution Interconnectors** shall cease.

3.2.3 Transmission Entry Capacity

- (a) Other than as provided in Paragraph 3.2.3(b), each **User**, as between **The Company** and that **User**, shall not operate its **User's Equipment** such that its export of power onto the **National Electricity Transmission System** exceeds the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any **Temporary Received TEC** less any **Temporary Donated TEC** for the relevant **Period** set out in Appendix C to the relevant **Bilateral Embedded Generation Agreement** save as expressly permitted and instructed pursuant to an **Emergency Instruction** under the **Grid Code** or save as expressly permitted and instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.
- (b) Each **User** in respect of an **Embedded Small Power Station** and a **Distribution Interconnector** and as a **Trading Party** responsible for **Embedded Small Power Stations**, as between **The Company** and that **User**, shall not operate its **User's Equipment** or equipment for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) such that its export of

power onto the **National Electricity Transmission System** exceeds the **Transmission Entry Capacity** and (if any) **STTEC** and/or **LDTEC** and/or any **Temporary Received TEC** less any **Temporary Donated TEC** for the relevant **Period** set out in Appendix C to the relevant **Bilateral Embedded Generation Agreement** save as expressly permitted and instructed pursuant to the **Fuel Security Code** or as may be necessary or expedient in accordance with **Good Industry Practice**.

- 3.2.4 Subject to the other provisions of the **CUSC** and the **Grid Code** and any relevant **Bilateral Agreement**, **The Company** shall, as between **The Company** and that **User**, accept into the **National Electricity Transmission System** power generated by each **User** up to the **Transmission Entry Capacity** and (if any) **STTEC** and/or any **Temporary Received TEC** less any **Temporary Donated TEC** for the relevant **Period** set out in Appendix C of the relevant **Bilateral Connection Agreement** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice** by **The Company**.

Outages

Subject to the provisions of the **Grid Code**, **The Company** and each **User** (with **Plant** and/or **Apparatus**) shall, as between **The Company** and that **User**, be entitled to plan and execute outages of parts of in the case of **The Company**, the **National Electricity Transmission System** or **Transmission Plant** or **Transmission Apparatus** and in the case of a **User**, its **System** or **Plant** or **Apparatus**, at any time and from time to time.

- 3.2.5 Commissioning

The Company agrees to assist the **User** (if requested by the **User**), with the commissioning and on-load testing of the **User's Equipment** or equipment for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) and the **User** shall pay reasonable **The Company** Charges in connection therewith. The **User** must ensure the commissioning programme for the **User's Equipment** or equipment for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) at the site of connection agreed between the **User** and the owner/operator of the **Distribution System** contains adequate provisions in respect of the timing of commissioning to ensure that the **User** can be in receipt of an **Operational Notification** before or during (as appropriate) the said commissioning programme.

- 3.2.6 Operational Notification

Upon compliance by the **User** with the provisions of Paragraph 3.2.2(a) after the commissioning programme in Paragraph 3.2.6 and subject, if **The Company** so requires, to **Transmission Reinforcement Works** being carried out and/or notification by the **User** that the site of connection of the **User's Equipment** or equipment for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) to the **Distribution System** is operational (any or all as appropriate) **The Company** shall forthwith notify ("**Operational Notification**") the **User** in writing that it has the right to use the **National Electricity Transmission System**. It is an express condition of the **CUSC** that in no circumstances will the **User** use or operate the **User's Equipment** or **Equipment** for which the **User** is responsible (as defined in Section K of the **Balancing and Settlement Code**) without receiving this **Operational Notification**.

3.3 OTHER SITE SPECIFIC TECHNICAL CONDITIONS FOR EMBEDDED POWER STATIONS AND DISTRIBUTION INTERCONNECTORS

3.3.1

- (a) **The Company** and each **User** shall, as between **The Company** and that **User**, operate respectively the **National Electricity Transmission System** and the **User System** with the special automatic facilities and schemes set out in Appendix F3 to the relevant **Bilateral Embedded Generation Agreement**.
- (b) Each **User** shall ensure the **User's Equipment** complies with the site specific technical conditions set out in Appendix F4 to the relevant **Bilateral Embedded Generation Agreement**.
- (c) Each **User** shall use all reasonable endeavours to ensure during the period of the relevant **Bilateral Embedded Generation Agreement** that the **User's Equipment** shall continue to comply with the site specific technical conditions set out in Appendix F5 to the relevant **Bilateral Embedded Generation Agreement**.

3.3.2 If a **User** or **The Company** wishes to modify, alter or otherwise change the site specific technical conditions or the manner of their operation under Appendices F1, F3, F4 or F5 to the relevant **Bilateral Embedded Generation Agreement** this shall be deemed to be a **Modification** for the purposes of the **CUSC**.

3.3.3 Where in the case of a site **Commissioned** in England and Wales prior to the **Transfer Date**, on or immediately prior to the **Transfer Date** a **User's Equipment** subject to a **Bilateral Embedded**

Generation Agreement has any of the following technical attributes or facilities:

- (a) control arrangements
- (b) voltage and current signals for system monitoring
- (c) control telephony
- (d) operational metering

the **User** shall, as between **The Company** and that **User**, use all reasonable endeavours to ensure that during the period of such **Bilateral Agreement** the **User's Equipment** which is subject to that **Bilateral Agreement** retains such technical attributes or facilities provided always that if the **User** wishes to modify, alter or otherwise change the same or their operation it may do so by following the procedures relating to a **Modification** in accordance with the **CUSC**.

PART IB - GENERAL - SUPPLY

This Part IB deals with rights and obligations relating to **Suppliers** generally and, in relation to certain provisions, to **Suppliers** supplying **Non-Embedded Customers**. References to "**User**" in this Part IB should be construed accordingly.

3.4 RIGHTS TO USE THE NATIONAL ELECTRICITY TRANSMISSION SYSTEM

- 3.4.1 Subject to the other provisions of the **CUSC** and the **Grid Code**, each **User**, as between **The Company** and that **User**, may take supplies of power from the **National Electricity Transmission System**.
- 3.4.2 Subject to the provisions of the **CUSC** and the **Grid Code**, **The Company** shall, as between **The Company** and that **User**, transport a supply of power through the **National Electricity Transmission System** to the level forecast by the **User** from time to time pursuant to the **Data Requirements** set out in Part IIB of this Section 3 submitted by that **User** together with such margin as **The Company** shall in its reasonable opinion consider necessary having due regard to **The Company's** duties under the **ESO Licence** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints or by insufficiency of generation which, in either case, could not have been avoided by the exercise of **Good Industry Practice** by **The Company**.

- 3.4.3 Subject to the provisions of the **Grid Code**, **The Company** shall be entitled to plan and execute outages of parts of the **National Electricity Transmission System** or **Transmission Plant** or **Transmission Apparatus** at any time and from time to time.

3.5 SUPPLIER CUSTOMER DETAILS

- 3.5.1 Each **User** shall, as between **The Company** and that **User**, give written notice to **The Company** of the following details of all exit points from time to time in existence between any **Distribution System** and the **User's** customer:-

- (a) the electrical location and nomenclature of the **Energy Metering Equipment** installed in relation to each such customer;
- (b) the identity of the operator of the **Distribution System** to which such customers are connected;
- (c) the **Grid Supply Point** and **Transmission Network Use of System Demand Zone** meeting the **Demand (Active Power)** of each customer;
- (d) the loss factors applying to the **Energy Metering Equipment** installed in relation to each such customer, save where the **User's** customer is connected to a **Distribution System** owned by a **Public Distribution System Operator** in which case the **Public Distribution System Operator's** published statement of loss factors shall apply.

Such written notice shall be given to **The Company** no later than 28 days prior to the commencement or cessation of use of any such exit point. If the **Grid Supply Point** referred to in (c) changes the **User** shall notify **The Company** forthwith after being notified of such change by the **Public Distribution System Operator** in question. If **The Company's** basis of charging changes pursuant to the **Charging Statements** or, subject thereto, Parts II and III below at any time, **The Company** shall be entitled to ask for other information it reasonably requires for charging purposes under this Paragraph 3.5.

- 3.5.2 **CUSC Parties** agree that, insofar as **The Company** has alternative reasonable means of obtaining this information then Paragraph 3.5.1 shall not apply.

3.6 SUPPLIERS OF NON-EMBEDDED CUSTOMERS

- 3.6.1 This Paragraph 3.6 relates specifically to the position of a **Supplier** in respect of its supply of electricity to a **Non-Embedded Customer**. Insofar as the provisions of this Paragraph 3.6 conflict with any other provision of this Section 3 dealing with an equivalent

issue, the provisions of this Paragraph 3.6 shall prevail in relation to such a category.

3.6.2 In the case of such a **User**, subject to the provisions of the **CUSC** and the **Grid Code**, **The Company** shall transport a supply of power through the **National Electricity Transmission System** to the **Connection Site** of the **Non-Embedded Customer** to the level forecast by the **User** from time to time pursuant to the **Data Requirements** set out in Part IIB of this Section 3 submitted by that **User** together with such margin as **The Company** shall in its reasonable opinion consider necessary having due regard to **The Company's** duties under the **ESO Licence** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints or by insufficiency of generation which, in either case, could not have been avoided by the exercise of **Good Industry Practice** by **The Company**.

3.6.3 The right in 3.6.2 above is subject to:

- (a) the **User** being authorised by a current **Supply Licence** to supply electricity to the premises to be supplied with electricity through the **Connection Site**; and
- (b) there being a subsisting **Bilateral Connection Agreement** with the **Non-Embedded Customer** for the **Connection Site**.

3.6.4 Where **The Company** agrees, the **Supplier** of a **Non-Embedded Customer** may be liable for payment of **Connection Charges** in relation to the **Metering Equipment** of a **Non-Embedded Customer**. The existence of such an arrangement shall be reflected in the relevant **Bilateral Connection Agreement** with the **Non-Embedded Customer** and the **Use of System Supply Confirmation Notice**. Where such an arrangement exists, the provisions of Section 2 Part II in relation to such charges shall be deemed incorporated within this Paragraph 3.6.4 and the **Supplier** shall comply with those provisions in relation to such charges as if references to the **User** were references to the **Supplier**.

3.6.5 The **User** acknowledges that breach of the provisions of the **CUSC** by the **Non-Embedded Customer** may give rise to **Deenergisation** of the **Non-Embedded Customer's Connection Site** pursuant to Section 5.

3.6.6 The **User** acknowledges that site specific technical conditions as provided for in Paragraphs 2.7 to 2.9 of the **CUSC** may apply between **The Company** and a **Non-Embedded Customer** at a **Connection Site**.

3.6.7 **The Company** shall be entitled to **Deenergise** the **Non-Embedded Customer's Equipment** at any **Connection Site**

when instructed to do so by the **Non-Embedded Customer** in accordance with the terms of its **Bilateral Connection Agreement** or the **CUSC**.

3.6.8 Where the **Supplier** supplying the **Connection Site** has informed **The Company** that it has received an order or direction from the Secretary of State for Energy under the Energy Act 1976 or the **Act**, requiring it to cease supplying the **Non-Embedded Customer** with electricity and instructs **The Company** to **Deenergise** the **Non-Embedded Customer's User's Equipment** at the **Connection Site**, **The Company** shall as soon as reasonably practicable **Deenergise** the **Non-Embedded Customer's User's Equipment** at the **Connection Site** (unless **The Company** considers that it is not reasonably practicable, whether on technical grounds or otherwise, to effect such **Deenergisation**) and if it does **Deenergise**, shall promptly notify the **User** of the date and time at which such **Deenergisation** was effected. The **User** shall reimburse **The Company** any expense incurred in relation to such **Deenergisation**, if any, and shall indemnify **The Company** against any costs, liability, loss or damage suffered by **The Company** as a result of such **Deenergisation**.

3.6.9 SUPPLIER DEENERGISATION OF NON-EMBEDDED CUSTOMERS

- (a) **The Company** shall, to the extent that it may lawfully do so, at the request of the **Supplier**, when the **Supplier** is entitled to have the **Deenergisation** of a **Non-Embedded Customer, Connection Site(s)**, carried out, carry out such **Deenergisation** on behalf of and at the cost of the **Supplier** within a reasonable time or, in circumstances of urgency, as soon as is reasonably practicable.
- (b) **The Company** shall if requested by the **Supplier**, inform the **Supplier** of its reasonable requirements for the details of the **Non-Embedded Customer's Connection Site(s)** to be **De-energised**.
- (c) **The Company** shall **Reenergise** the **User's Equipment** at the **Non-Embedded Customer's Connection Site** as soon as is reasonably practicable after the circumstances leading to **Deenergisation** under Paragraph 3.6.9.1 have ceased to exist.

Duty to Indemnify

- (d) Where **The Company** carries out a **Deenergisation** on behalf of a **Supplier** under Paragraph 3.6.9.1, **The Company** shall indemnify the **Supplier** against (a) all actions, proceedings, costs,

demands, claims, expenses, liability, loss or damage made against or incurred or suffered by the **Supplier** as a consequence of, physical damage to the property of the **Supplier**, its officers, employees or agents, (including any claim by another **User** connecting at the same substation) and (b) in respect of the liability of the **Supplier** to any other person for loss in respect of physical damage to the property of any person, in each case as a consequence of **The Company** acting contrary to an accurate and appropriate instruction from the **Supplier** to **Deenergise the Non-Embedded Customer's Connection Site**;

- (e) Save for any matters arising from or in connection with the negligent act or omission or default of **The Company**, its officers, employees or agents, the **Supplier** shall indemnify **The Company** against (a) all actions, proceedings, costs, demands, claims, expenses, liability, loss or damage arising from, or incurred by **The Company** as a consequence of, physical damage to the property of **The Company**, its officers, employees or agents, and (b) in respect of the liability of **The Company** to any other person for loss in respect of physical damage to the property of any person, in each case as a consequence of acting in reliance on any instructions given by the **Supplier** to **The Company** to **Deenergise the Non-Embedded Customer's Connection Site** which are materially inaccurate or misleading;

and

- (f) Where the **Supplier** requests **The Company** to **Deenergise** a single point of connection that is both a **Grid Supply Point** and a **Grid Entry Point**, the **Supplier** shall also indemnify **The Company** against all actions, proceedings, costs, demands, claims, expenses, liability, loss or damage made against or incurred or suffered by **The Company** and resulting directly from such **Deenergisation** howsoever arising (including any claim by another **User** connecting at the same substation) except insofar as such actions, proceedings, costs, demands, claims, expenses, liability, loss or damage arise from the negligent act or omission or default of **The Company**, its officers, employees or agents.

Downstream Parties

- (g) A **Non- Embedded Customer** shall provide its **Supplier** on request and as soon as is reasonably practicable with the details of any **Downstream Parties** including (but not limited to) contact names, addresses, email addresses, and telephone numbers.

- (h) Prior to a **Supplier** instructing **The Company** to **Deenergise** the **Non-Embedded Customer's Connection Site(s)** under Paragraph 3.6.9.1:
- (i) (a) the **Supplier** shall request the **Non-Embedded Customer** to confirm within 48 hours of such request that the details supplied under Paragraph 3.6.9.7, remain correct and/or provide updated details for any **Downstream Parties**, and where such details had been supplied by the **Non-Embedded Customer** to the **Supplier** within the preceding **10 Business Days**, the **Supplier** may, whilst making this request, in parallel and without delay give notice to arrange the meeting described in (b), below;
 - (b) where there are **Downstream Parties** (other than **Downstream Parties** that are **Affiliates** of the **Non-Embedded Customer**), the **Supplier** shall, giving not less than 48 hours' notice, arrange a meeting between the **Supplier**, the **Non-Embedded Customer**, those **Downstream Parties** and **The Company** to discuss the impact of the **Deenergisation** and whether an agreement to avoid the **Deenergisation** and resulting impact on those **Downstream Parties** can be reached to the reasonable satisfaction of the **Supplier** (acting reasonably); and
 - (c) the **Supplier** shall not issue its **Deenergisation** instruction to **The Company** within 72 hours (or such longer period, determined by the **Supplier** from time to time, at their sole discretion, and notified to the attendees of any meeting held under (b)) from the commencement of any meeting held under (b).

3.7 USE OF SYSTEM APPLICATION

- 3.7.1 If a **User** wishes to use the **National Electricity Transmission System** in a category of use which does not include connection to the **National Electricity Transmission System**, it shall complete and submit to **The Company** a **Use of System Application** and comply with the terms thereof.

- 3.7.2 Without prejudice to Condition E12 of the **ESO Licence** **The Company** shall make a **Use of System Offer** to that **User** as soon as practicable after receipt of the **Use of System Application** and (save where the **Authority** consents to a longer period) in any event not more than 28 days after receipt by **The Company** of the **Use of System Application**.
- 3.7.3 The **Use of System Offer** shall in the case of an application relating to an **Embedded Power Station** or to a **Small Power Station Trading Party** or to a **Distribution Interconnector** be in the form of a **Bilateral Embedded Generation Agreement** together with any **Construction Agreement** relating thereto. In the case of a **Virtual Lead Party**, it shall be in the form of a **Virtual Lead Party Agreement**. In the case of a **Supplier**, it shall be in the form of a **Use Of System Supply Offer Notice**. The provisions of Standard Condition C8 shall apply to an application by a **Supplier** as if the **Use of System Supply Offer** and **Confirmation Notice** was an agreement for the purposes of that condition.
- 3.7.4 The **Use of System Offer** shall remain open for acceptance (subject to **CUSC** Paragraph 6.10.4.4) for 3 months from its receipt by that **User** unless either that **User** or **The Company** makes an application to the **Authority** under Condition E13 of the **ESO Licence**, in which event the **Use of System Offer** shall remain open for acceptance until the date 14 days after any determination by the **Authority** pursuant to such application.
- 3.7.5 Upon acceptance of the **Use of System Offer** (as offered by **The Company** or determined by the **Authority**) by the **User** and execution by **The Company** of the **Bilateral Embedded Generation Agreement** or **Virtual Lead Party Agreement** or the issuing by **The Company** of a **Use of System Supply Confirmation Notice**, as the case may be, the **User** shall have the right to use the **National Electricity Transmission System**. Such right shall continue until the **Bilateral Embedded Generation Agreement** or **Virtual Lead Party Agreement** is terminated or a **Use of System Termination Notice** is submitted pursuant to Paragraph 3.8.
- 3.7.6 Such rights shall be conditional upon the **Applicant**, if it is not already a party to the **CUSC Framework Agreement**, becoming a party to the **CUSC Framework Agreement**.
- 3.7.7 In the event that the **User** requests a **Use of System Offer** in the form of a **Bilateral Embedded Generation Agreement** on the basis of a **Design Variation** then:
- (i) **The Company** shall only be obliged to provide such an offer in so far as such an offer satisfies the conditions detailed in Chapter 3 of the **NETS SQSS**; and

- (ii) **The Company** shall be obliged, at the request of the **User** as part of the **Use of System Offer**, to provide such information that the **User** may reasonably require in order to assess the probability of **Notification of Restrictions on Availability** being issued. For the avoidance of doubt, the information that is provided by **The Company** under this clause shall be a best estimate only and is not legally binding.

3.8 TERMINATION PROVISIONS

- 3.8.1 Provisions relating to **Disconnection** relating to **Users** who have **Bilateral Embedded Generation Agreements** are dealt with in Section 5.
 - 3.8.1(A) Provisions relating to **Users** who have **Virtual Lead Party Agreements** are dealt with in Section 5.
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- 3.8.2 In addition to the provisions in Section 5, this paragraph deals with termination of the right to use the system in respect of a **Supplier** who in that category of connection and/or use has no physical presence on the **System** and with a specific additional provision for the **Supplier** of a **Non-Embedded Customer**.
- 3.8.3
 - (a) A **Supplier** may terminate its use of the **National Electricity Transmission System** by giving **The Company** a **Use of System Termination Notice** not less than 28 days prior to such termination of use.
 - (b) If a **Use of System Termination Notice** is given under this Section 3, the right to use the **National Electricity Transmission System** shall cease upon the termination date in the **Use of System Termination Notice**.
 - (c) Prior to cessation of use by a **User** under this Paragraph, the **User** shall pay **The Company** all **Use of System Charges** payable by it under Section 3 in respect of the **Financial Year** in which the cessation takes place.
- 3.8.4 In addition, in the case of a **User** in its category of connection and/or use as a **Supplier** of a **Non-Embedded Customer** the use of the **National Electricity Transmission System** in respect of the **Connection Site** shall cease upon either **Disconnection** of the **User's Equipment** of the **Non-Embedded Customer** or termination of the **Bilateral Connection Agreement** in respect of that **Connection Site**.

PART IC – GENERAL – VIRTUAL LEAD PARTIES

This Part IC deals with rights and obligations relating to **Virtual Lead Parties**. References to “**User**” in this Part IC should be construed accordingly.

3.8A RIGHTS TO USE THE NATIONAL ELECTRICITY TRANSMISSION SYSTEM

3.8A.1 Virtual Lead Party

Subject to the other provisions of the **CUSC**, the **Grid Code** and the relevant **Virtual Lead Party Agreement**, and subject to there continuing to be a **Distribution Agreement** with the owner/operator of the **Distribution System** in respect of the **VLP Assets**, each **User**, as between **The Company** and that **User**, may in relation to each of its **VLP Assets** transmit (or put, as the case may be) supplies of power on to and/or take supplies of power from the **National Electricity Transmission System** as the case may be.

3.8A.2 Virtual Lead Party Conditions

(a) The rights and obligations of a **User**, and **The Company** in connection therewith, are subject to the following conditions precedent having been fulfilled before such rights and obligations arise:

(i) the **User** having provided (in a form reasonably satisfactory to **The Company**) proof of having entered into a **Distribution Agreement** with the owner/operator of the **Distribution System** in respect of the **VLP Assets**; and

(ii) **The Company** having received satisfactory confirmation from the owner/operator of the **Distribution System** as to the running arrangements within the **Distribution System**;

(iii) **The User** having successfully registered a **Secondary BMU**.

(b) If the conditions precedent of 3.8A.2(a)(i) to (iii) have not been fulfilled within 6 months of the date of the relevant **Virtual Lead Party Agreement**, **The Company** or the relevant **User** may rescind the relevant **Virtual Lead Party Agreement** by giving to the other notice to that effect in which event all rights and liabilities of the parties thereunder and under the **CUSC** in relation to the **VLP Assets** shall cease.

3.8A.3 Outages and Constraints

(a) Subject to the other provisions of the **CUSC** and the **Grid Code** and any relevant **Virtual Lead Party Agreement**, **The Company** shall, as between **The Company** and that **User**, accept into the **National Electricity Transmission System** power from each **User** except to the extent (if any) that **The Company** is prevented from doing so by transmission constraints which could not be avoided by the exercise of **Good Industry Practice** by **The Company**.

3.8A.4 TECHNICAL CONDITIONS FOR VIRTUAL LEAD PARTIES

3.8A.4.1 Each **User** shall use all reasonable endeavours to ensure during the period of the relevant **Virtual Lead Party Agreement** that the **VLP Assets** shall comply with the technical conditions set out in Appendix F5 to the relevant **Virtual Lead Party Agreement**.

3.8A.4.2 If a **User** or **The Company** wishes to modify, alter or otherwise change the technical conditions or the manner of their operation under Appendix F5 to the relevant **Virtual Lead Party Agreement** this shall be deemed to be a **Modification** for the purposes of the **CUSC**.

PART II - USE OF SYSTEM CHARGES

PART IIA - GENERAL

3.9 USE OF SYSTEM CHARGES

- 3.9.1 Subject to the provisions of the **CUSC**, and any relevant **Bilateral Agreement**, together with the relevant **Charging Statements**, each **User** shall with effect from the relevant date set out in the relevant **Bilateral Agreement** (or in the **Use of System Supply Confirmation Notice**) be liable to pay to **The Company** the **Use of System Charges** in accordance with the **CUSC** calculated in accordance with the **Statement of Use of System Charges** and the **Statement of the Use of System Charging Methodology**. **The Company** shall apply and calculate the **Use of System Charges** in accordance with the **Statement of Use of System Charges** and the **Statement of the Use of System Charging Methodology**.
- 3.9.2 Each **User** shall, as between **The Company** and that **User**, in accordance with this Part II and Paragraph 6.6, be liable to pay to **The Company** (or **The Company** shall be so liable to pay to the **User**) the **Transmission Network Use of System Charges** and (if appropriate) the **STTEC** and **LDTEC Charge** in respect of its use of the **National Electricity Transmission System** applied and calculated in accordance with the **Statement of Use of System Charges** and **Statement of the Use of System Charging Methodology**.
- 3.9.3 Except in respect of **Distribution Interconnector Owners** each **User** shall, as between **The Company** and that **User**, in accordance with this Part II and Paragraph 6.6, be liable to pay to **The Company** in respect of each **Settlement Day** the **Balancing Services Use of System Charges** calculated in accordance with the **Statement of the Use of System Charging Methodology**.
- 3.9.4 Each **User** shall, as between **The Company** and that **User**, provide **The Company** with **Security Cover** in respect of **Transmission Network Use of System Demand Reconciliation Charges**, **Transmission Services Use of System Charges** and **Balancing Services Use of System Charges** in accordance with Part III below.
- 3.9.5 The charges payable in relation to use of the **National Electricity Transmission System** may also include **One-off Charges** where those are to be payable by the relevant **User** as provided in the relevant **Bilateral Embedded Generation Agreement**. In that

case, the relevant provisions of Section 2 will apply to that **User** in relation to the **One-off Charges**.

- 3.9.6 Where a **User's** connection to the **National Electricity Transmission System** involves the connection of an **Offshore Transmission System** to a **Distribution System**, the **ET Use of System Charges** shall be payable by the **User** in an amount, manner and timing that reflects **The Company's** obligation to the **ET Interface Operator** for the charges for connection to and use of that **Distribution System**. These will be specified, to the extent practicable, in the **User's Bilateral Connection Agreement**.

PART IIB – TRANSMISSION NETWORK USE OF SYSTEM CHARGES

3.10 DEMAND FORECAST DATA REQUIREMENTS

- 3.10.1 On or before the end of the second week of December in each **Financial Year**, each **User** shall supply **The Company** with such data as described under Section 3.10 as **The Company** may from time to time reasonably request to enable **The Company** to calculate the tariffs for the **Transmission Network Use of System Charges** pursuant to the **Charging Statements** for the **Financial Year** to which the data relates.
- 3.10.2 On or before the 10th day of March in each **Financial Year**, each **User** shall supply **The Company** on **The Company's** reasonable request with its **Demand Forecast** for the following **Financial Year** pursuant to the **Charging Statements** to enable **The Company** to use such **Demand Forecast** as the basis for calculation of the **Transmission Network Use of System Charges** for the **Financial Year** to which the **Demand Forecast** relates.
- 3.10.3 In the event that a **User** fails to provide a **Demand Forecast** in accordance with Paragraph 3.10.2 above the **User** shall be deemed to have submitted as its **Demand Forecast** the last **Demand Forecast** supplied under Paragraph 3.11.1.
- 3.10.4 Where a **Use of System Supply Confirmation Notice** is completed during a **Financial Year**, the **User** shall supply **The Company**, with its **Demand Forecast** for that **Financial Year** on or before the 10th day of the month following completion of the **Use of System Supply Confirmation Notice**.
- 3.10.5 On or before the end of the second week in December in each **Financial Year**, each **User** that is liable for generation **Use of System Charges** in accordance with 3.9 shall supply **The Company** with a forecast maximum TEC for the following year,

to inform **The Company** of the forecast generation to be used for the purposes of setting TNUOs Tariffs.

- 3.10.6 Where a **User's** connection to the **National Electricity Transmission System** involves the connection of an **Offshore Transmission System** to a **Distribution System**, each such **User** shall supply **The Company** with such data as **The Company** may from time to time reasonably request to enable the calculation of the **ET Use of System Charges**.

3.11 VARIATION OF FORECASTS DURING THE FINANCIAL YEAR

- 3.11.1 Each **User** shall notify **The Company** of any revision to its **Demand Forecast** at least quarterly or at such intervals as may be agreed between **The Company** and the **User** from time to time.
- 3.11.2 Subject to Paragraph 3.12, **The Company** shall revise the **Transmission Network Use of System Charges** payable by a **User** to take account of any revised **Demand Forecast** and shall commence charging the revised **Transmission Network Use of System Charges** from the first day of the month following the month in which such revised **Demand Forecast** was received provided always that such **Demand Forecast** is provided before the 10th day of such month.

3.12 VALIDATION OF DEMAND FORECASTS

- 3.12.1 The **Demand Forecast** shall represent a **User's** reasonable estimate of its **Demand**.
- 3.12.1a **The Company** shall use the latest available data of actual **FDSC** and **Unmetered Supply Volume** as the basis of its **FDSC Forecast** and **Unmetered Supply Volume Forecast**.
- 3.12.2 **The Company** shall notify the **User** in the event that the **Transmission Network Use of System Charges** due from the **User** to **The Company** or from **The Company** to the **User** (as the case may be) calculated by **The Company** using the **Demand Forecast**, **FDSC Forecast** and **Unmetered Supply Volume Forecast** differ by more than 20% from that calculated by **The Company** using **The Company's** forecast **Demand**, **FDSC Forecast** and **Unmetered Supply Volume Forecast** as provided for in the **Charging Statements**.
- 3.12.3 In the event that **The Company** does not receive a satisfactory explanation for the difference between the **Demand Forecast** and **The Company's** forecast of **Demand** or a satisfactory revised **Demand Forecast** from the **User** within 5 **Business Days** of such notice then **The Company** shall be entitled to invoice a **User** for **Transmission Network Use of System**

Charges calculated on the basis of **The Company** forecast **Demand**.

- 3.12.4 Any dispute regarding a **Demand Forecast**, or **FDSC Forecast** or **Unmetered Supply Volume Forecast** or the resulting **Transmission Network Use of System Charges** shall be a **Charging Dispute**.

3.13 RECONCILIATION STATEMENTS

Calculation of Initial Reconciliation

- 3.13.1 On or before 30 June in each **Financial Year**, **The Company** shall promptly calculate in accordance with the **Statement of the Use of System Charging Methodology** and the **Statement of Use of System Charges** the **Demand** related, **FDSC** related, **Unmetered Supply Volume** related or generation related **Transmission Network Use of System Charges** (as the case may be) that would have been payable by the **User** during each month during the preceding **Financial Year (Actual Amount)**. **The Company** shall then compare the **Actual Amount** with the amount of **Demand** related, **FDSC** related, **Unmetered Supply Volume** related or generation related **Transmission Network Use of System Charges** (as the case may be) paid each month during the preceding **Financial Year** by the **User** (the "**Notional Amount**").

Generation Reconciliation

- 3.13.2 As soon as reasonably practicable and in any event by 30 April in each **Financial Year** **The Company** shall prepare a generation reconciliation statement (the "**Generation Reconciliation Statement**") in respect of generation related **Transmission Network Use of System Charges** and send it to the **User**. Such statement shall specify the **Actual Amount** and the **Notional Amount** of generation related **Transmission Network Use of System Charges** for each month during the relevant **Financial Year** and, in reasonable detail, the information from which such amounts were derived and the manner in which they were calculated.
- 3.13.3 Together with the **Generation Reconciliation Statement**, **The Company** shall issue a credit note in relation to any sums shown by the **Generation Reconciliation Statement** to be due to the **User** or an invoice in respect of sums due to **The Company** and in each case interest thereon calculated pursuant to Paragraph 3.13.6 below.

Initial Demand Reconciliation Statement

- 3.13.4 As soon as reasonably practicable and in any event by 30 June in each **Financial Year** **The Company** shall then prepare an

initial **Demand** reconciliation statement (the “**Initial Demand Reconciliation Statement**”) in respect of **Demand** and **FDSC** and **Unmetered Supply Volume** related **Transmission Network Use of System Charges** and send it to the **User**. Such statement shall specify the **Actual Amount** and the **Notional Amount** of **Demand** and **FDSC** and **Unmetered Supply Volume** related **Transmission Network Use of System Charges** for each month during the relevant **Financial Year** and, in reasonable detail, the information from which such amounts were derived and the manner in which they were calculated.

3.13.5 Together with the **Initial Demand Reconciliation Statement** **The Company** shall issue a credit note in relation to any sum shown by the **Initial Demand Reconciliation Statement** to be due to the **User** or an invoice in respect of sums due to **The Company** and in each case interest thereon calculated pursuant to Paragraph 3.13.6.

3.13.6 General Provisions

- (a) Invoices issued under paragraphs 3.13.3 and 3.13.5 above and 3.13.8 (b) below shall be payable within 30 days of the date of the invoice.
- (b) Interest on all amounts due under this Paragraph 3.13 shall be payable by the paying **CUSC Party** to the other on such amounts from the date of payment applicable to the month concerned until the date of actual payment of such amounts and such interest shall be calculated on a daily basis at a rate equal to the **Base Rate** during such period.

3.13.7 Final Reconciliation Statement

- (a) **The Company** shall as soon as reasonably practicable following receipt by it of the **Final Reconciliation Settlement Run** or **Final Reconciliation Volume Allocation Run** as appropriate in respect of the last **Settlement Day** in each **Financial Year** issue a further **Demand** and **FDSC** and **Unmetered Supply Volume** reconciliation statement (the “**Final Demand Reconciliation Statement**”) in respect of **Demand** and **FDSC** and **Unmetered Supply Volume** related **Transmission Network Use of System Charges** payable in respect of each month of that **Financial Year** showing:-
 - (i) any change in the **Demand** and **FDSC** and **Unmetered Supply Volume** related **Transmission Network Use of System Charges** from those specified in the **Initial Demand Reconciliation Statement** provided in accordance with Paragraph 3.13.4;

- (ii) whether the change represents a reconciliation payment owing by **The Company** to a **User** or by a **User** to **The Company**;
 - (iii) the amount of interest determined in accordance with Paragraph 3.13.6 above; and
 - (iv) the information from which the amounts in (i) above are derived and the manner of their calculation.
- (b) Together with the **Final Demand Reconciliation Statement** **The Company** shall issue a credit note in relation to any sum shown in the **Final Demand Reconciliation Statement** to be due to the **User** or an invoice in respect of sums due to **The Company** and in each case interest thereon calculated pursuant to Paragraph 3.13.6.
- (c) Payment of any invoice issued pursuant to Paragraph 3.13.7(b) above or the application of any credit note issued pursuant to that paragraph against any liability of the **User** to **The Company** for **Demand** and **FDSC** and **Unmetered Supply Volume** related **Transmission Network Use of System Charges** will be in full and final settlement of all **Demand** and **FDSC** and **Unmetered Supply Volume** related **Transmission Network Use of System Charges** for the **Financial Year** to which the invoice or credit note relates provided that nothing in this Paragraph 3.13.8(c) shall affect the rights of the parties under the provisions of Paragraph 7.3.5.

3.13.8 The right to submit **Generation Reconciliation Statements**, **Initial Demand Reconciliation Statements** and **Final Demand Reconciliation Statements** and the consequential invoices and/or credit notes shall survive the termination of the **User's** rights under the **CUSC** and the parties agree that the provisions contained in Paragraphs 3.13 and 3.14 shall continue to bind them after such termination (the version in existence at the date of termination being the applicable version in the case of any amendments).

3.14 REVISION OF CHARGES

3.14.1 Pursuant to the **ESO Licence** and/or the **CUSC** and/or the **Charging Statements** and/or the **Bilateral Agreements** **The Company** may revise its **Transmission Network Use of System Charges** or the basis of their calculation. Where **The Company** proposes a change to the **Transmission Network Use of System Charges** then it shall notify the **User** as soon as practicable after the proposal is made to the **Authority** pursuant to the **ESO Licence**.

- 3.14.2 The **User** acknowledges that due to the timescales associated with the replacement of the **Pooling and Settlement Agreement** with the **Balancing and Settlement Code**, **The Company** was prevented from providing the **User** with notice pursuant to Clause 2.1 of Part 1 of Appendix E (as in force on the day prior to the **NETA Go-live Date**) of the basis of calculation of **Transmission Network Use of System Charges** from the **NETA Go-live Date** until the end of the **Financial Year** in which the **NETA Go-live Date** occurred. However, the **User** further acknowledges that **The Company** consulted with the **User** prior to the **NETA Go-live Date** on **Transmission Network Use of System Charges** to apply from the **NETA Go-live Date** until the end of the **Financial Year** in which the **NETA Go-live Date** occurred. The **User** hereby agrees to pay **Transmission Network Use of System Charges** in respect of the **Financial Year** in which the **NETA Go-live Date** occurred in accordance with the principles notified by **The Company** prior to the **NETA Go-live Date**.
- 3.14.3 Subject to paragraph 3.14.4 below, **The Company** shall give the **User** not less than two months prior written notice of any revised **Transmission Network Use of System Charges**, which notice shall specify the date upon which such revisions become effective (which may be at any time) and will make reference to the new tariffs set out in the relevant **Charging Statements**. The **User** shall pay any such revised charges from the effective date.
- 3.14.4 Where in accordance with the **ESO Licence**, the **Authority** determines a shorter period than 2 months for the implementation of revised charges, the notice period will be determined by the **Authority**. The notice will specify when the new charges are effective and the **User** shall pay any such revised charges from the effective date.
- 3.14.5 Where a **User's** connection to the **National Electricity Transmission System** involves the connection of an **Offshore Transmission System** to a **Distribution System**, **The Company** shall notify the **User** as soon as practicable in the event that **The Company** receives notice from the **ET Interface Operator** of a change in the charges to **The Company** which would require a change in the **ET Use of System Charges**. **The Company** shall advise the **User** of the resultant revision to the **ET Use of System Charges** and the date upon which such revision shall become effective.

3.15 FORECAST OF TRANSMISSION NETWORK USE OF SYSTEM CHARGES

- 3.15.1 Each **Financial Year** **The Company** shall prepare and update its forecast of **Transmission Network Use of System Charges** in accordance with the **TNUOs Tariff Forecast Timetable**.

PART IIC - BALANCING SERVICES USE OF SYSTEM CHARGES

3.16 INTRODUCTION

3.16.1 Under the terms of the **CUSC** each **User** except in the case of **Distribution Interconnector Owners** is liable to pay **Balancing Services Use of System Charges**. The basis upon which **Balancing Services Use of System Charges** are levied and the calculation methodology and rules which will be used to quantify those charges are set out in the **Statement of the Use of System Charging Methodology**.

3.16.2 Balancing Services Use of System Charges

Notwithstanding the provisions of Paragraphs 6.6.1 and 6.6.2 the following provisions shall apply to the payment of the **Balancing Services Use of System Charges**.

- (a) **The Company** shall not later than 17.00 hours on the relevant **Notification Date** (and if this is not practicable as soon as possible thereafter as **The Company**, acting reasonably, considers is practicable) despatch an advice notice to the **User** in respect of the **Settlement Day** in relation to which the **Balancing Services Use of System Charges** are due on the relevant **Payment Date**.
- (b) The information on the advice notice in respect of each **Settlement Day** shall include the name of the **User** and the total amount payable to **The Company** in respect of **Balancing Services Use of System Charges** and in all cases together with any **Value Added Tax** thereon during each **Settlement Day**.
- (c) **The Company** shall, within a reasonable time thereafter provide a valid **Value Added Tax** invoice in respect of **Balancing Services Use of System Charges** identified on the advice note.
- (d) The **User** shall pay the **Balancing Services Use of System Charges** specified in the advice notice together with the **Value Added Tax** thereon to **The Company** no later than 12.30 hours on the **Payment Date** specified on the advice note in respect of such **Settlement Date** as if they were payments made in the manner specified in Paragraph 6.6.3.

3.16.3 **Balancing Services Use of System Charges Information**

3.16.3.1 **The Company** shall use reasonable endeavours to publish no later than the last **Business Day** in each month the **Balancing Services Use of System (BSUoS) charges Forecast Information**

3.16.3.2 The **Balancing Services Use of System Charges Forecast Information** will include:

- (a) estimated **BSUoS** volumes
- (b) estimated external **BSUoS** costs
- (c) estimated internal **BSUoS** costs
- (d) estimated average **BSUoS** charges in £/MWh
- (e) incentive scheme performance where applicable

The Company will engage with industry participants to discuss assumptions and provide information to explain and support any changes to previously published **Balancing Services Use of System Charges Forecast Information**.

3.16.3.3 Each update shall be based on the latest information for items which **The Company** reasonably expects to make a material impact to the expected **Balancing Services Use of System Charges**.

3.17 RECONCILIATION

3.17.1 As soon as reasonably practicable after receipt by **The Company** of the **Final Reconciliation Volume Allocation Run** in respect of a **Settlement Day** **The Company** shall prepare and submit to each **User** a statement (which may form part of an invoice or other document) calculated in accordance with the data specified in the **Statement of the Use of System Charging Methodology** in respect of that **Settlement Day** ("**Balancing Services Use of System Reconciliation Statement**"), showing the new value (if any) of data (as specified in the **Statement of the Use of System Charging Methodology** in force on that **Settlement Day**) attributable to the **User** in respect of such **Settlement Day** and the amount of **Balancing Services Use of System Charges** payable by the **User** on the basis of the new value (the "**Reconciled Charge**").

3.17.2 In the event that:

- (a) the **Reconciled Charge** exceeds the **Balancing Services Use of System Charges** paid by the **User** in respect of that **Settlement Day** ("**Initial Charge**") **The Company** shall at its option either:

- (i) send to the **User** as soon as reasonably practicable after issue of the **Balancing Services Use of System Reconciliation Statement** an invoice for the amount by which the **Reconciled Charge** exceeds the **Initial Charge** and interest thereon calculated in accordance with the provisions set out in Paragraph 3.17.3; or
 - (ii) include such amount in another invoice in respect of **Balancing Services Use of System Charges** to the **User**.
 - (b) the **Reconciled Charge** is less than the **Initial Charge** **The Company** shall at its option either:-
 - (i) send to the **User** as soon as reasonably practicable after issue of the **Balancing Services Use of System Reconciliation Statement** a credit note for the amount by which the **Initial Charge** exceeds the **Reconciled Charge** and interest thereon calculated in accordance with the provisions set out in Paragraph 3.17.3; or
 - (ii) include such amount as a credit in an invoice in respect of **Balancing Services Use of System Charges** from **The Company** to the **User**.
- 3.17.3 Interest payable in respect of each reconciliation payment shall accrue from and including the relevant **Use of System Payment Date** up to but excluding the date upon which the amounts specified in the **Balancing Services Use of System Reconciliation Statement** are paid, and shall be at a rate equal to the **Base Rate** for the time being and from time to time. Interest shall accrue from day to day.
- 3.17.4 If **The Company** receives written notice from any **User** or from the relevant **BSC Agent** that an error has occurred in any data forming part of or used within the **Initial Volume Allocation Run** which affects the costs to **The Company** of offers and bids in the **Balancing Mechanism** accepted by **The Company** in respect of any **Settlement Day**, and that error has been ratified in accordance with the procedures for ratification set out in the **Balancing and Settlement Code** it shall use its reasonable endeavours to, as soon as reasonably practicable after receipt of such notice, issue a dispute reconciliation statement ("**Dispute Statement**") to the **User** in respect of that **Settlement Day**.
- 3.17.5 Any **Dispute Statement** issued pursuant to Paragraph 3.17.4 above shall show the amount of **Balancing Services Use of System Charges** payable by the **User** on the basis of the ratified data.

3.17.6

- (a) In the event that the amount shown in any **Dispute Statement** exceeds the aggregate amount paid by the **User** in respect of the **Settlement Day** to which the **Dispute Statement** relates under any invoices issued pursuant to Paragraph 3.16.2 and Paragraph 3.17.2 above (after taking into account any credit notes issued) **The Company** shall submit to the **User** a further invoice for such excess and interest thereon calculated in accordance with Paragraph 3.17.3;
- (b) In the event that the amount shown in any **Dispute Statement** is less than the aggregate amount paid by the **User** in respect of the **Settlement Day** to which the **Dispute Statement** relates under any invoices issued pursuant to Paragraph 3.16.2 and Paragraph 3.17.2 above (after taking into account any credit notes issued) **The Company** shall submit to the **User** a credit note for the amount by which the amount paid exceeds the amount shown in the **Dispute Statement** together with interest thereon calculated in accordance with Paragraph 3.17.3.

3.17.7 If at any time prior to receipt by **The Company** of the **Final Reconciliation Volume Allocation Run** in respect of a **Settlement Day** **The Company** receives written notice from any **User** or the relevant **BSC Agent** of an error occurring in any data forming part of or used within the **Initial Volume Allocation Run** or the **Reconciliation Volume Allocation Run** which in either case affects the data (as specified in the **Statement of the Use of System Charging Methodology**) used in the calculation of **Balancing Services Use of System Charges** for that **Settlement Day**, which error:-

- (a) is not taken into account in the **Final Reconciliation Volume Allocation Run**; and
- (b) has been ratified in accordance with the procedures for ratification set out in the **Balancing and Settlement Code**,

then **The Company** shall use its reasonable endeavours to prepare the **Balancing Services Use of System Reconciliation Statement** on the basis of the ratified data.

3.18 The right to submit **Balancing Services Use of System Reconciliation Statements** and **Dispute Statements** and the consequential invoices and/or credit notes shall survive the termination of the **User's** rights under the **CUSC** and the parties agree that the provisions of this Part II shall remain in full force and effect and shall continue to bind them after such termination (the version in existence as at the date of termination being the applicable version, in the case of any amendments).

- 3.19 **The Company** and each **User** hereby agree and acknowledge that the provisions of Part IIC will apply to all **Balancing Services Use of System Charges** payable in respect of any **Settlement Day** on or after the **NETA Go-live Date**. The provisions of Paragraphs 1.1 to 1.6 inclusive of Part 2 of the form of Appendix E in force on the day prior to the **NETA Go-live Date** shall continue to apply *mutatis mutandis* to all **Transmission Services Use of System Charges** payable in respect of any **Settlement Day** up to the **NETA Go-live Date**.

3.20 RECONCILIATION PAYMENTS

Each **User**, or as the case may be, **The Company**, shall pay the amounts set out in any invoice or credit note issued pursuant to Paragraphs 3.16.2 or 3.15.6 respectively above, either in accordance with the applicable requirements for payment of other sums due under that invoice in the case of sums shown in an invoice also dealing with other payments, or in other cases within 5 **Business Days** of the date of the **Balancing Services Use of System Reconciliation Statement or Dispute Statement** as appropriate.

3.21 REVISION OF CHARGES

3.21.1 Subject to Paragraph 3.21.2 below, **The Company** shall give the **User** not less than 2 months prior written notice of any revision to the **Statement of the Use of System Charging Methodology** which will affect the application and calculation of the **Balancing Services Use of System Charges**, which notice shall specify the date upon which such revisions become effective (which may be at any time). The **User** shall pay any such revised charges with effect from the date specified in such notice.

3.21.2 Where in accordance with the **ESO Licence**, the **Authority** determines a shorter period than two months for the implementation of a revision to the charges which will affect the application and calculation of the **Balancing Services Use of System Charge**, the notice period will be determined by the **Authority**. The notice will specify when the revision is effective and the **User** shall pay any such revised charges with effect from the date specified in such notice.

PART III - CREDIT REQUIREMENTS

3.22 **BSUOS CHARGES AND TNUOS DEMAND CHARGES: PROVISION OF SECURITY COVER**

3.22.1 Each **User** required to pay **Use of System Charges** shall provide **Security Cover** for **Balancing Services Use of System Charges** and **Transmission Network Use of System Demand Charges** from time to time in accordance with this Part III.

- 3.22.2 Each such **User** shall not later than the date of its accession to the **CUSC Framework Agreement** deliver to **The Company** evidence reasonably satisfactory:-
- (a) to establish the **User's Allowed Credit**; and
 - (b) if required, that it has provided and is not in default under the **Security Cover** referred to in Paragraph 3.22.3 below.
- 3.22.3 The User shall be required to provide **Security Cover** where its **Security Requirement** exceeds its **User's Allowed Credit**. If such **User** is required to provide **Security Cover** it shall, not later than the date of:-
- (a) the date of its becoming a party to the **CUSC Framework Agreement**; or
 - (b) two **Business Days** after **The Company** notifies the **User** in writing that the **Security Cover** required exceeds the **Security Amount** provided; or
 - (c) where and to the extent that the amount of **Security Cover** required exceeds the **Security Amount** provided as a result of a **User's** revised forecast given in accordance with Paragraph 3.10 within one month of such revised forecast being provided to **The Company**:-
 - (i) deliver to **The Company** a **Qualifying Guarantee** in such amount as shall be notified by **The Company** to the **User** in accordance with Paragraph 3.23; and/or
 - (ii) deliver to **The Company** a **Letter of Credit** (available for an initial period of not less than 6 months) in such amount as shall be notified by **The Company** to the **User** in accordance with Paragraph 3.23; and/or
 - (iii) deliver to **The Company** cash for credit to the **Escrow Account** in such amount as shall be notified by **The Company** in accordance with Paragraph 3.23; and/or
 - (iv) deliver to **The Company** a **Bilateral Insurance Policy** in such an amount as shall be notified by **The Company** to the **User** in accordance with Paragraph 3.23; and/or
 - (v) deliver to **The Company** an **Insurance Performance Bond** in such an amount as shall be notified by **The Company** to the **User** in accordance with Paragraph 3.23; and/or

- (vi) delivery to **The Company** an **Independent Security Arrangement** in such an amount as shall be notified by **The Company** to the **User** in accordance with Paragraph 3.23.

3.22.4 The provisions of this Part III shall be in addition to any other requirements to provide security in respect of any other sums due under the terms of the **CUSC** or any **Bilateral Agreement** or **Construction Agreement**.

3.22.5 Maintenance of Security Cover

Where a **User** is required to provide **Security Cover** in accordance with the terms of this Paragraph 3.22 it shall at all times thereafter maintain a **Security Amount** equal to or more than the **Security Cover** applicable to it. Immediately upon any reduction occurring in the **Security Amount** provided by the **User** or any **Letter of Credit** or **Qualifying Guarantee** or **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** being for any reason drawn down or demanded respectively, the **User** will procure that new **Letters of Credit** or **Qualifying Guarantees** or **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** are issued or existing **Letters of Credit** or **Qualifying Guarantees** or **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** are reinstated (to the satisfaction of **The Company**) to their full value or cash is placed to the credit of the **Escrow Account** in an amount required to restore the **Security Amount** to an amount at least equal to the **Security Cover** applicable to the **User**, and in such proportions of **Letters of Credit**, **Qualifying Guarantees** or **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** and/or cash as the **User** may determine. Not later than 10 **Business Days** before any outstanding **Letter of Credit** and/or **Qualifying Guarantee** or **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** is due to expire, the **User** shall procure to the satisfaction of **The Company** that its required **Security Amount** will be available for a further period of not less than 6 months which may be done in one of the following ways:-

- (a) subject to the issuing bank continuing to have an **Approved Credit Rating** for an amount at least equal to the required **Security Amount** applicable to it (less the balance of deposits on the **Escrow Account** in respect of the **Security Amount**) provide **The Company** with confirmation from the issuing bank that the validity of the **Letter of Credit** has been extended for a period of not less than 6 months on the same terms and otherwise for such amount as is required by this Part III; or

- (b) provide **The Company** with a new **Letter of Credit** issued by an issuing bank with an **Approved Credit Rating** for an amount at least equal to the required **Security Amount** applicable to it (less the balance of deposits on the **Escrow Account** in respect of the **Security Amount**) which **Letter of Credit** shall be available for a period of not less than 6 months; or
- (c) subject to the entity issuing the **Qualifying Guarantee** continuing to have an **Approved Credit Rating** or **Credit Assessment Score** for an amount at least equal to the required **Security Amount** applicable to it (less the balance of deposits on the **Escrow Account** in respect of the **Security Amount**) provide **The Company** with confirmation from the issuing entity that the validity of the **Qualifying Guarantee** has been extended for a period of not less than 6 months on the same terms and otherwise for such amount as is required by this Part III; or
- (d) provide **The Company** with a new **Qualifying Guarantee** for an amount at least equal to the required **Security Amount** applicable to it (less the its balance of deposits on the **Escrow Account** in respect of the **Security Amount**) which **Qualifying Guarantee** shall be available for a period of not less than 6 months; or
- (e) procure such transfer to **The Company** for credit to the **Escrow Account** of an amount as shall ensure that the credit balance applicable to the **User** and standing to the credit of the **Escrow Account** shall be at least equal to the required **Security Amount**; or
- (f) subject to the entity issuing the **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** continuing to meet the **Requirements** provide **The Company** with confirmation from the issuing entity that the validity of the **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** has been extended for a period of not less than 6 months on the same terms and otherwise for such amount as is required by this Part III; or
- (g) provide **The Company** with a new **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** for an amount at least equal to the required **Security Amount** applicable to it (less the balance of deposits on the **Escrow Account** in respect of the **Security Amount**) which **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent**

Security Arrangement shall be available for a period of not less than 6 months.

3.22.6 Failure to supply or maintain Security Cover

If the **User** fails at any time to provide or maintain **Security Cover** to the satisfaction of **The Company** in accordance with the provisions of this Part III, **The Company** may at any time while such default continues, and if at such time any **Letter of Credit** and/or **Qualifying Guarantee** and/or **Bilateral Insurance Policy** and/or **Insurance Performance Bond** and/or **Independent Security Arrangement** forming part of the **Security Amount** is due to expire within 9 **Business Days** immediately, and without notice to the **User**, demand payment of the entire amount of any outstanding **Letter of Credit** and/or **Qualifying Guarantee** and/or **Bilateral Insurance Policy** and/or **Insurance Performance Bond** and/or **Independent Security Arrangement** and shall credit the proceeds of the **Letter of Credit** and/or **Qualifying Guarantee** and/or **Bilateral Insurance Policy** and/or **Insurance Performance Bond** and/or **Independent Security Arrangement** to the **Escrow Account**.

3.22.7 Substitute Letter of Credit or Qualifying Guarantee

- (a) If the bank issuing the **User's Letter of Credit** ceases to have the credit rating set out in the definition of **Letter of Credit** in this **CUSC** such **User** shall forthwith procure the issue of a substitute **Letter of Credit** by a bank that has such a credit rating or a **Qualifying Guarantee** or a **Bilateral Insurance Policy** or an **Insurance Performance Bond** or an **Independent Security Arrangement** or transfer to **The Company** cash to be credited to the **Escrow Account**.
- (b) If the entity providing the **User's Qualifying Guarantee** ceases to have an **Approved Credit Rating** or **Credit Assessment Score** for an amount at least equal to the required **Security Amount** (less the balance of the **User's** deposits on the **Escrow Account** in respect of the **Security Amount**) the **User** shall forthwith procure a replacement **Qualifying Guarantee** from an entity with such a credit rating or a **Letter of Credit** or a **Bilateral Insurance Policy** or an **Insurance Performance Bond** or an **Independent Security Arrangement** or transfer to **The Company** cash to be credited to the **Escrow Account**.
- (c) If the entity providing the **User's Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** ceases to meet the **Requirements** the **User** shall forthwith procure a replacement of the same or a **Bilateral Insurance Policy**, **Insurance Performance**

Bond, Independent Security Arrangement, Letter of Credit, Qualifying Guarantee or transfer to **The Company** cash to be credited to the **Escrow Account** in respect of the **Security Amount**.

3.23 CREDIT MONITORING

3.23.1 Determination of Security Cover

The amount of **Security Cover** which the **User** shall be required to maintain shall be determined from time to time by **The Company** as the **User's Security Requirement** less the **User's Allowed Credit**.

3.23.2 Determination of Security Requirement

The **Security Requirement** for each **User** shall be determined as:-

- (a) the **Balancing Services Use of System Charges** provided for in the **CUSC**, where the **User** is a **Supplier**, over a 32 day period or such period as **The Company** acting reasonably shall specify to the **User** in writing from time to time taking into account the requirements for **Security Cover** contained in the **Balancing and Settlement Code** and where **The Company** proposes to change such period **The Company** shall consult with **Users**; and
- (b) the **Balancing Services Use of System Charges** provided for in the **CUSC**, where the **User** is a **Generator**, over a 29 day period or such period as **The Company** acting reasonably shall specify to the **User** in writing from time to time taking into account the requirements for **Security Cover** contained in the **Balancing and Settlement Code** and where **The Company** proposes to change such period **The Company** shall consult with **Users**; and
- (c) in relation to **Transmission Network Use of System Demand Charges** calculated in the following manner for each **Security Period**:-
 - (aa) in the **Financial Year** in which such charges first become due the greater of zero and the **User's Base Value at Risk**; and
 - (bb) in the case of subsequent **Financial Years** the greater of zero and the sum of (i) the **User's Base**

Value at Risk and (ii) the User's Forecasting Performance Related VAR.

(d) interest on the amounts referred to in (a), (b) and (c) above calculated in accordance with the provisions of this **CUSC**.

(e) any applicable **Value Added Tax** that would be due on the amounts referred to in this Paragraph 3.23.2

3.23.3 Calculation of HH Base Value at Risk

For each **Security Period**, the sum equal to the **HH Base Percentage** of the **User's Indicative Annual HH TNUoS Charge** calculated on the basis of the latest **Demand Forecast** received by **The Company**.

3.23.4 Calculation of NHH Base Value at Risk

For each **Security Period**, the sum equal to the **NHH Base Percentage** of the **User's Indicative Annual NHH TNUoS Charge** calculated on the basis of the latest **Demand Forecast** received by **The Company**.

3.23.4a Calculation of **FDSC Base Value at Risk**

For each **Security Period**, the sum equal to the **FDSC Base Percentage** of the **User's Indicative Annual FDSC TNUoS Charge** calculated by **The Company** on the basis of the latest **FDSC Forecast** produced by **The Company**.

3.23.4b Calculation of **UMS Base Value at Risk**

For each **Security Period**, the sum equal to the **UMS Base Percentage** of the **User's Indicative Annual UMS TNUoS Charge** calculated by **The Company** on the basis of the latest **Unmetered Supply Volume Forecast** produced by **The Company**.

3.23.5 Notification of Deemed HH Forecasting Performance

Following the issue of the **Initial Demand Reconciliation Statement** in respect of the previous **Financial Year**, **The Company** shall notify the **User**, of the **Deemed HH Forecasting Performance** to be used in the calculation of the **User's HH Performance Related Var**. Such notice shall be given at least two months prior to the first of the **Security Periods** to which it relates.

3.23.6 Notification of Deemed NHH Forecasting Performance

Following the issue of the **Initial Demand Reconciliation Statement** in respect of the previous **Financial Year**, **The Company** shall notify the **User**, of the **Deemed NHH Forecasting Performance** to be used in the calculation of the **User's NHH Performance Related Var**. Such notice shall be given at least two months prior to the first of the **Security Periods** to which it relates.

3.23.7 Revision of Deemed HH Forecasting Performance

If the **User** has experienced a significant increase in the amount of **Demand** taken by its **Customers** during the last five months of the previous **Financial Year** and believes that this has had a significant effect on their **Deemed HH Forecasting Performance**, then no later than one month from the date of the notification given to the **User** under paragraph 3.23.5, the **User** may request that **The Company** revises the **Deemed HH Forecasting Performance**. Upon raising such a request, the **User** must provide information to **The Company** relating to the size of the reported **Demand** increase and the **Reported Period(s) of Increase**. Where for any **Reported Period of Increase** the resulting increase in **Demand** equates to a level that is in excess of one percent of the **Actual Amount** of **HH Charges** in respect of the previous **Financial Year**, **The Company** shall, within one month of receiving such a request, recalculate the **Deemed HH Forecasting Performance** on the basis set out in Appendix 2 Paragraph 4. A **User** shall not be entitled to raise more than one request by reference to any period or part period covered in another **Reported Period of Increase** in respect of which a request has been raised under this Paragraph.

3.23.8 Revision of Deemed NHH Forecasting Performance

If the **User** has experienced a significant increase in the amount of **Demand** taken by its **Customers** during the last five months of the previous **Financial Year** and believes that this has had a significant effect on their **Deemed NHH Forecasting Performance**, then no later than one month from the date of the notification given to the **User** under paragraph 3.23.6, the **User** may request that **The Company** revises the **Deemed NHH Forecasting Performance**. Upon raising such a request, the **User** must provide information to **The Company** relating to the size of the reported **Demand** increase and the **Reported Period(s) of Increase**. Where for any **Reported Period of Increase** the resulting increase in **Demand** equates to a level that is in excess of one percent of the **Actual Amount** of **NHH Charges** in respect of the previous **Financial Year**, **The Company** shall within one month of receiving such a request,

recalculate the **Deemed NHH Forecasting Performance** on the basis set out in Appendix 2 Paragraph 7. A **User** shall not be entitled to raise more than one request by reference to any period or part period covered in another **Reported Period of Increase** in respect of which a request has been raised under this Paragraph.

3.23.9 Review of Security Cover

The Company shall keep under review the **Security Cover** relating to the **User** and shall promptly advise the **User** whenever the **Security Amount** maintained by the **User** is more or less than the amount required to be maintained pursuant to this Paragraph 3.23.

3.23.10 Decrease of Security Cover

If **The Company** reasonably determines that the **User's** required **Security Cover** has decreased, it shall so notify the **User**. **The Company** shall consent to an appropriate reduction in the available amount of any outstanding **Qualifying Guarantee** or **Letter of Credit** or **Bilateral Insurance Policy** or **Insurance Performance Bond** or **Independent Security Arrangement** and/or shall repay to the **User** such part of the deposit held in the **Escrow Account** in respect of the **Security Cover** for the account of the **User** (together with all accrued interest on the part to be repaid) sufficient to reduce the **User's Security Amount** to the level of **Security Cover** applicable to it within 5 **Business Days** of the **User's** consent.

3.23.11 Notification in respect of Security Cover

The Company shall notify each **User** promptly if:-

- (a) that **User** fails to provide, maintain, extend or renew a **Qualifying Guarantee** or a **Letter of Credit** or a **Bilateral Insurance Policy** or an **Insurance Performance Bond** or an **Independent Security Arrangement** which it is required to provide, maintain, extend or renew pursuant to Paragraphs 3.22 or 3.23 inclusive;
- (b) **The Company** shall make a demand under any such **Qualifying Guarantee** or a call under a **Letter of Credit** or a **Bilateral Insurance Policy** or an **Insurance Performance Bond** or an **Independent Security Arrangement**; or
- (c) **The Company** becomes aware that that **User**:
 - (i) shall cease to have an **Approved Credit Rating** or shall cease to have an **Approved Credit Rating** for

an amount at least equal to the **User's Security Requirement**, or

- (ii) shall be placed on a credit watch by the relevant credit rating agency (or becomes subject to an equivalent procedure) which in any case casts doubt on the **User** retaining an **Approved Credit Rating** or an **Approved Credit Rating** for an amount at least equal to the **User's Security Requirement** or maintaining the **Credit Assessment Score** given by the **User's Independent Credit Assessment**, or
- (iii) shall be in default under the additional or alternative security required to be provided pursuant to this Part III; or
- (f) **The Company** becomes aware that any bank that has issued a **Letter of Credit** in relation to that **User** which has not expired shall cease to have the credit rating required by this Section; or
- (g) **The Company** becomes aware that any entity providing a **Qualifying Guarantee** or a **Bilateral Insurance Policy** or an **Insurance Performance Bond** or an **Independent Security Arrangement** in relation to that **User** which has not expired shall cease to meet the **Requirements** in the case of a **Bilateral Insurance Policy** or an **Insurance Performance Bond** or an **Independent Security Arrangement** or in the case of a **Qualifying Guarantee** cease to have an **Approved Credit Rating** or **Credit Assessment Score** for an amount at least equal to the required **Security Amount** (less its balance of deposits on the **Escrow Account** in respect of the **Security Amount**); or
- (h) **The Company** becomes aware that the **User's Security Requirement** exceeds 85% of the **User's Allowed Credit**.

Provided always that the failure by **The Company** to notify the **User** pursuant to Paragraphs 3.23.9, 3.23.10 or 3.23.11 shall not relieve the **User** of its obligations under and in accordance with the terms of this Section 3 and the **Charging Statements**.

3.23.12 Release from Security Cover Obligations

Upon a **User** becoming a **Dormant CUSC Party** or ceasing to be a **CUSC Party** and provided that all amounts owed by the **User** in respect of **Balancing Services Use of System Charges** and **Transmission Network Use of System Demand Charges** have been duly and finally paid and that it is not otherwise in default in any respect of any **Balancing Services Use of**

System Charges or **Transmission Network Use of System Demand Charges** (including in each case interest) payable under the **CUSC**, the **User** shall be released from the obligation to maintain **Security Cover** and **The Company** shall consent to the revocation of any outstanding **Qualifying Guarantee** or **Letter of Credit** or a **Bilateral Insurance Policy** or an **Insurance Performance Bond** or an **Independent Security Arrangement** and shall repay to the **User** the balance of deposits standing to the credit of the **User** on the **Escrow Account** in respect of the **Security Amount** (including interest accruing thereto, whether held in the **Escrow Account** or any associated bank account in the name of **The Company**) at that date.

3.24 PAYMENT DEFAULT

If, by 12.30 hours on any **Use of System Payment Date**, **The Company** has been notified by a **User** or it otherwise has reason to believe that that **User** will not have remitted to it by close of banking business on the **Use of System Payment Date** all or any part (“the amount in default”) of any amount which has been notified by **The Company** to the **User** as being payable by the **User** by way of either the **Balancing Services Use of System Charges** and/or **Transmission Network Use of System Demand Charges** on the relevant **Use of System Payment Date**, then **The Company** shall be entitled to act in accordance with the following provisions (or whichever of them shall apply) in the order in which they appear until **The Company** is satisfied that the **User** has discharged its obligations in respect of the **Balancing Services Use of System Charges** and/or **Transmission Network Use of System Demand Charges** (as appropriate) under the **CUSC** which are payable in respect of the relevant **Settlement Day** (in the case of **Balancing Services Use of System Charges**) or **Financial Year** (in the case of **Transmission Network Use of System Demand Charges**):-

- (a) **The Company** may to the extent that the **User** is entitled to receive payment from **The Company** pursuant to the **CUSC** (unless it reasonably believes that such set-off shall be unlawful) set off the amount of such entitlement against the amount in default;
- (b) **The Company** shall be entitled to set off the amount of funds then standing to the credit of the **Escrow Account** against **Balancing Services Use of System Charges** and/or **Transmission Network Use of System Demand Charges** (as appropriate) unpaid by the **User** and for that purpose **The Company** shall be entitled to transfer any such amount from the **Escrow Account** to any other account of **The Company** at its absolute discretion and shall notify the **User** accordingly;

- (c) **The Company** may demand payment under any outstanding **Letter of Credit** supplied by the **User** in a sum not exceeding the available amount of all such **Letters of Credit**;
- (d) **The Company** may demand payment under any outstanding **Qualifying Guarantee** provided for the benefit of the **User** pursuant to Paragraph 3.22.3(b);
- (e) **The Company** may demand payment under any outstanding **Bilateral Insurance Policy** provided for the benefit of the **User**;
- (f) **The Company** may demand payment under any outstanding **Insurance Performance Bond** provided for the benefit of the **User**;
- (i) **The Company** may demand payment under any outstanding **Independent Security Arrangement** provided for the benefit of the **User**.

3.25 UTILISATION OF FUNDS

In addition to the provisions of Paragraph 3.24 above if **The Company** serves a notice of default under the terms of Paragraph 5.5 or a notice of termination under Paragraph 5.7 then **The Company** shall be entitled to demand payment of any of the **Balancing Services Use of System Charges** and/or **Transmission Network Use of System Demand Charges** which are outstanding from the relevant **User** whether or not the **Use of System Payment Date** in respect of them shall have passed and:-

- (a) make demand under any outstanding **Qualifying Guarantee** or a call under any outstanding **Letter of Credit, Bilateral Insurance Policy, Insurance Performance Bond** or **Independent Security Arrangement** supplied by the **User**; and
- (b) to set off the funds in the **Escrow Account** against **Balancing Services Use of System Charges** and/or **Transmission Network Use of System Demand Charges** unpaid by the **User** and for that purpose **The Company** shall be entitled to transfer any such amount from the **Escrow Account** to any other account of **The Company** as it shall in its sole discretion think fit.

3.25A For the avoidance of doubt, the **User's** cash deposit in the **Escrow Account** shall remain the sole property and entitlement of the **User** until such time when (and to such extent as) the **Company** exercises its right of set off against the **User's** cash deposit in accordance with the terms of the **CUSC**, and the **User** shall have no right to have the cash deposit returned to it for so long as it is under any prospective or contingent liability to the **Company**.

3.26 USER'S RIGHT TO WITHDRAW FUNDS

If a **User** is not in default in respect of any amount owed to **The Company** in respect of the **Balancing Services Use of System Charges** or **Transmission Network Use of System Charges** under the terms of the **CUSC** and any **Bilateral Agreement** to which the **User** is a party:-

- (a) **The Company** shall transfer to the **User** quarterly interest accruing in respect of deposits of principal sums from the **User** in the **Escrow Account** (whether held in the **Escrow Account** or any associated bank account in the name of **The Company**); and
- (b) **The Company** shall transfer to such **User** within a reasonable time after such **User's** written request therefor any amount of cash provided by the **User** by way of **Security Cover** which exceeds the amount which such **User** is required to provide by way of security in accordance with this Part III.

3.27 USER'S ALLOWED CREDIT

3.27.1 Each **User** shall notify **The Company** promptly if:-

- (a) it gains an **Approved Credit Rating**; or
- (b) it ceases to have an **Approved Credit Rating**; or
- (c) where the **User** holds an **Approved Credit Rating**, its specific investment grading changes; or
- (d) it has reason to believe that its **Credit Assessment Score** is likely to have changed since the last **Independent Credit Assessment**.

3.27.2 The **User's Allowed Credit** extended by **The Company** at any time to **User** with an **Approved Credit Rating** shall be calculated in accordance with Paragraph 1 of Appendix 1 of this Section 3 subject to a maximum value of the **Unsecured Credit Cover**.

3.27.3 The **User's Allowed Credit** extended by **The Company** at any time to each **User** without an **Approved Credit Rating** shall be at the choice of the **User** the **Payment Record Sum** or the **Credit Assessment Sum**.

3.27.4 Unless the **User** has notified **The Company** that it wishes its **User's Allowed Credit** to be based on the **Credit Assessment Sum** then, subject to Paragraph 3.27.5, for each successive month in which the **User** pays its **Use of System Charges** by the **Use of System Payment Date** then the **User's Allowed Credit** extended to such **User** at any time shall be calculated in accordance with Paragraph 2 of Appendix 1 of this Section 3.

3.27.5 Where a **User** fails to pay its **Use of System Charges** within 2 **Business Days** of the **Use of System Payment Date** its **Payment Record Sum** shall be reduced by 50% on the first such occasion within a twelve month period and shall be reduced to zero on the second

occasion in such twelve month period. Upon any such failure to pay, the **User's Allowed Credit** (as adjusted following such failure in accordance with this clause) shall be calculated for successive months in accordance with Paragraph 3.27.4.

- 3.27.6 Where a **User** has notified **The Company** that it wishes its **User's Allowed Credit** to be based on its **Credit Assessment Sum**, the **Credit Assessment Sum** extended to a **User** at any time shall be calculated by reference to the **Credit Assessment Score** given by the **Independent Credit Assessment** in accordance with Paragraph 3 of Appendix 1 of this Section 3.
- 3.27.7 Where a **User** has notified **The Company** that it wishes its **User's Allowed Credit** to be based on the **Credit Assessment Sum** then the **User** will obtain an **Independent Credit Assessment** of that **User**. The first such **Independent Credit Assessment** will be at **The Company's** cost.
- 3.27.8 Where a **User's Allowed Credit** is based on the **Credit Assessment Sum** then where **The Company** has reason to believe that the **Independent Credit Assessment** last obtained is likely to have changed then **The Company** shall be entitled to request the **User** to obtain a further **Independent Credit Assessment**. Such **Independent Credit Assessment** shall be at **The Company's** cost.
- 3.27.9 The **User** may obtain an **Independent Credit Assessment** at **The Company's** cost provided that **The Company** has not paid for an earlier **Independent Credit Assessment** for that **User** within the previous 12 months. The **User** may obtain further **Independent Credit Assessments** within such a 12 month period at the **User's** cost.

3.28 TRANSITIONAL ARRANGEMENTS

- 3.28.1 Recognising the changes to the **Security Cover** and **Security Requirements** introduced by the **Security Amendment** and the consequences for **The Company** and **Users** then notwithstanding the provisions of **CUSC** Section 3 Part III the following transitional provisions shall apply:
- (a) the obligation for **Users** whose **Security Requirement** will as a result of the **Security Amendment** increase at the **Security Amendment Implementation Date** shall be to provide the difference between the **Existing Security Cover** and the **Security Cover** in full by no later than the **End Date** and by increasing the **Existing Security Cover** each month by equal monthly amounts of the difference between the **existing Security Cover** and the **Security Cover**; and
 - (b) where a **User's Security Requirement** at the **Security Amendment Implementation Date** is less than the **Existing Security Cover** held for that **User** then **The Company** shall

release the **existing Security Cover** by the appropriate amount as soon as practicable and in any event within one calendar month of the **Security Amendment Implementation Date**.

3.28.2 Recognising the changes to the **Security Cover** and **Security Requirements** introduced by the **Value At Risk Amendment** and the consequences for **The Company** and **Users** then notwithstanding the provisions of **CUSC** Section 3 Part III the following transitional provisions shall apply:

- (a) Until the **Initial Demand Reconciliation Statement** has been issued for the **Financial Year** ending at least six months following the **Value At Risk Amendment Implementation Date**, and **The Company** has calculated the **Forecasting Performance Related VAR** by reference to this, each **User's Forecasting Performance Related VAR** shall be substituted by such percentage of **User's Transmission Network Use of System Demand Charges** as reflects the percentage difference between the **Actual Amount** and the **Notional Amount** of the **User's Transmission Network Use of System Demand Charges** for the previous **Financial Year**, provided that where the **Notional Amount** exceeds the **Actual Amount**, the percentage shall be zero;
- (b) the obligation for **Users** whose **Security Requirement** will increase at the **Value At Risk Amendment Implementation Date** as a result of the **Value At Risk Amendment** shall be to provide the difference between the **Pre-Value At Risk Amendment Security Cover** and the **Security Cover** in full by no later than the **Value At Risk Amendment Implementation End Date** and by increasing the **Pre-Value At Risk Amendment Security Cover** each month by equal monthly amounts of the difference between the **Pre-Value At Risk Amendment Security Cover** and the **Security Cover**; and
- (c) where a **User's Security Requirement** at the **Value At Risk Amendment Implementation Date** is less than the **Pre-Value At Risk Amendment Security Cover** held for that **User** then **The Company** shall release the **Pre-Value At Risk Amendment Security Cover** by the appropriate amount as soon as practicable and in any event within one calendar month of the **Value At Risk Amendment Implementation Date**.

APPENDIX 1 CREDIT ARRANGEMENTS

- Where the **User** meets the **Approved Credit Rating** that **User's Allowed Credit** at any given time shall be calculated as a percentage of **Unsecured Credit Cover** by reference to the specific investment grade within the **User's Approved Credit Rating** as follows:

Approved Long Term Credit Rating			User's Allowed Credit as % of Unsecured Credit Cover
Standard & Poor's	Moody's	Fitch	
AAA AA+ AA AA-	Aaa Aa1 Aa2 Aa3	AAA AA+ AA AA-	100
A+ A A-	A1 A2 A3	A+ A A-	40
BBB+	Baa1	BBB+	20
BBB	Baa2	BBB	19
BBB-	Baa3	BBB-	18
BB+	Ba1	BB+	17
BB	Ba2	BB	16
BB-	Ba3	BB-	15

- Where based on the **Payment Record Sum**, a **User's Allowed Credit** at any time shall be calculated on the basis of 0.4% per 12 month period (escalating on an evenly graduated basis each month) of the **Unsecured Credit Cover**, subject to a maximum of 2% after 60 months of successive payment by the **Use of System Payment Date**.
- Where based on the **Credit Assessment Sum**, a **User's Allowed Credit** at any given time shall be calculated as a percentage of the **Unsecured Credit Cover** by reference to the **Credit Assessment Score** as follows:

Credit Assessment Score	User's Allowed Credit as % of Unsecured Credit Cover
10	20
9	19
8	18
7	17
6	16
5	15
4	13.33
3	10
2	6.67
1	3.33
0	0

APPENDIX 2

Base Value At Risk

1. For each **Security Period**, the **HH Base Percentage** used in determining the **User's HH Base Value at Risk** shall be determined by reference to the following:

Security Period Start Date (inclusive)	Security Period End Date (inclusive)	HH Base Percentage
1 st April	30 th June	-8.4%
1 st July	30 th September	-33.4%
1 st October	31 st December	-49.1%
1 st January	31 st March	7.0%

2. For each **Security Period**, the **NHH Base Percentage** used in determining the **User's NHH Base Value at Risk** shall be determined by reference to the following:

Security Period Start Date (inclusive)	Security Period End Date (inclusive)	(a) NHH Base Percentage
1 st April	30 th June	(b) 4.3%
1 st July	30 th September	(c) -1.5%
1 st October	31 st December	(d) -2.8%
1 st January	31 st March	(e) 3.7%

- 2A. For each **Security Period**, the **FDSC Base Percentage** used in determining the **User's FDSC Base Value at Risk** shall be determined by reference to the following:

Security Period Start Date (inclusive)	Security Period End Date (inclusive)	FDSC Base Percentage
1 st April	30 th June	5.0%
1 st July	30 th September	5.0%
1 st October	31 st December	5.0%
1 st January	31 st March	5.0%

- 2B. For each **Security Period**, the **UMS Base Percentage** used in determining the **User's UMS Base Value at Risk** shall be determined by reference to the following:

Security Period Start Date (inclusive)	Security Period End Date (inclusive)	UMS Base Percentage
1 st April	30 th June	4.3%
1 st July	30 th September	-1.5%
1 st October	31 st December	-2.8%

1 st January	31 st March	3.7%
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Deemed HH Forecasting Performance and Revision

3. **Deemed HH Forecasting Performance**, FPP_{HH} , shall be calculated as set out in the following formula:

$$FPP_{HH} = \max\left(0, \frac{5}{1333} \sum_{m=8}^{12} \left(\frac{AA_{HH} - IA_{HH,m} * W_{HH,m}}{AA_{HH}} \right) - CA_{HH} \right)$$

Where:

AA_{HH} is the **Actual Amount of User’s HH Charges** for the previous **Financial Year**

$IA_{HH,m}$ is the **Indicative Annual HH TNUoS charge** calculated using the **Demand Forecast** used to determine **Transmission Network Use of System Demand Charges** made during month m of the previous **Financial Year**.

$W_{HH,m}$, The forecast weighting to be applied for each month, m by reference to the following:

m	Invoice Month	Forecast weighting, $W_{HH,m}$
8	November	33.3
9	December	33.3
10	January	33.3
11	February	66.7
12	March	100

CA_{HH} , is an allowance for extreme conditions equal to 0.06.

4. The revised **Deemed HH Forecasting Performance**, shall be calculated on the basis of Paragraph 3 above, substituting the **Indicative Annual HH TNUoS Charge** for each month, m prior to the

end of the **Reported Period of Increase** with the **Revised Indicative Annual HH TNUoS charge**, $RIA_{HH,m}$

5. The **Revised Indicative Annual HH TNUoS charge**, $RIA_{HH,m}$ shall be derived as follows:

$$RIA_{HH,m} = \min \left[\left(1 + \left[\max \left(\frac{DUB_{HH,p}}{DUA_{HH,p}} - \frac{DSB_{HH,p}}{DSA_{HH,p}}, 0 \right) * RD_{HH,p} \right] \right) * IA_{HH,m}, IA_{HH,p} \right]$$

Where:

$DUA_{HH,p}$ is the average half-hourly metered demand taken by the **User's Customers** during the period 17:00 to 17:30 on the twenty **Business Days** prior to the **Reported Period of Increase**, p , that do not fall between the two week period commencing 22nd December.

$DUB_{HH,p}$ is the average half-hourly metered demand taken by the **User's Customers** during the period 17:00 to 17:30 on the twenty **Business Days** following the **Reported Period of Increase**, p , that do not fall between the two week period commencing 22nd December.

$DSA_{HH,p}$ is the average demand taken by **Total System Chargeable HH Demand** during the period 17:00 to 17:30 on the twenty **Business Days** prior to the **Reported Period of Increase**, p , that do not fall between the two week period commencing 22nd December.

$DSB_{HH,p}$ is the average demand taken by **Total System Chargeable HH Demand** during the period 17:00 to 17:30 on the twenty **Business Days** following the **Reported Period of Increase**, p , that do not fall between the two week period commencing 22nd December.

$RD_{HH,p}$ is the forecast proportion of **HH Charges** remaining for the previous **Financial Year** from the first day of the month in which the **Reported Period of**

Increase, p commences by reference to the following:

Month in which Reported Period of Increase commences	Remaining proportion of HH Charges
October	100%
November	100%
December	100%
January	66.7%
February	33.3%

$IA_{HH,m}$ is the **Indicative Annual HH TNUoS charge** calculated using the **Demand Forecast** used to determine **Transmission Network Use of System Demand Charges** made during month m of the previous **Financial Year**.

$IA_{HH,p}$ in the case that the the **Reported Period of Increase**, p ends prior to the 10th February of the previous **Financial Year**, is set equal to the **Indicative Annual HH TNUoS charge** calculated using the **Demand Forecast** used to determine **Transmission Network Use of System Demand Charges** made during the month immediately following **Reported Period of Increase** of the previous **Financial Year**, otherwise is set to infinity.

Deemed NHH Forecasting Performance and Revision

6. **Deemed NHH Forecasting Performance**, FPP_{NHH} , shall be calculated as set out in the following formula:

$$FPP_{NHH} = \max \left(0, \frac{1}{300} \sum_{m=8}^{12} \left(\frac{AA_{NHH} - IA_{NHH,m}}{AA_{NHH}} * W_{NHH,m} \right) - CA_{NHH} \right)$$

Where:

AA_{NHH} is the **Actual Amount of User's NHH Charges** for the previous **Financial Year**.

$IA_{NHH,m}$ is the **Indicative Annual NHH TNUoS charge** calculated using the **Demand Forecast** used to

determine **Transmission Network Use of System Demand Charges** made during month m of the previous **Financial Year**.

$W_{NHH,m}$, The forecast weighting to be applied for each month, m by reference to the following:

m	Invoice Month	Forecast weighting, $W_{NHH,m}$
8	November	41
9	December	49
10	January	59
11	February	70
12	March	81

CA_{NHH} , is an allowance for extreme conditions equal to 0.03.

7. The revised **Deemed NHH Forecasting Performance** shall be calculated on the basis of Paragraph 6 above, substituting the **Indicative Annual NHH TNUoS Charge** for each month, m prior to the end of the **Reported Period of Increase** with the **Revised Indicative Annual NHH TNUoS charge, $RIA_{NHH,m}$** .
8. The **Revised Indicative Annual NHH TNUoS charge, $RIA_{NHH,m}$** shall be derived as follows:

$$RIA_{NHH,m} = \min \left[\left(1 + \left[\max \left(\frac{DUB_{NHH,p}}{DUA_{NHH,p}} - \frac{DSB_{NHH,p}}{DSA_{NHH,p}}, 0 \right) * RD_{NHH,p} \right] \right) * IA_{NHH,m}, IA_{NHH,p} \right]$$

Where:

$DUA_{NHH,p}$ is the average non-half-hourly metered demand taken by the **User's Customers** during the period 16:00 to 19:00 on the twenty **Business Days** prior to the **Reported Period of Increase, p** , that do not fall between the two week period commencing 22nd December.

$DUB_{NHH,p}$ is the average non-half-hourly metered demand taken by the **User's Customers** during the period 16:00 to 19:00 on the twenty **Business Days** following the **Reported Period of Increase, p** , that do not fall between the two week period commencing 22nd December.

$DSA_{NHH,p}$ is the average demand taken by **Total System Chargeable NHH Demand** during the period 16:00 to 19:00 on the twenty **Business Days** prior to the **Reported Period of Increase, p** , that do not fall between the two week period commencing 22nd December.

$DSB_{NHH,p}$ is the average demand taken by **Total System Chargeable NHH Demand** during the period 16:00 to 19:00 on the twenty **Business Days** following the **Reported Period of Increase, p** , that do not fall between the two week period commencing 22nd December.

$RD_{NHH,p}$ is the forecast proportion of **NHH Charges** remaining for the previous **Financial Year** from the first day of the month in which the **Reported Period of Increase, p** commences by reference to the following:

Month in which Reported Period of Increase commences	Remaining proportion of NHH Charges
October	59%
November	51%
December	41%
January	30%
February	19%

$IA_{NHH,m}$ is the **Indicative Annual NHH TNUoS charge** calculated using the **Demand Forecast** used to determine **Transmission Network Use of System**

Demand Charges made during month m of the previous **Financial Year**.

$IA_{NHH,p}$

in the case that the the **Reported Period of Increase**, p ends prior to the 10th February of the previous **Financial Year**, is set equal to the **Indicative Annual NHH TNUoS charge** calculated using the **Demand Forecast** used to determine **Transmission Network Use of System Demand Charges** made during the month immediately following **Reported Period of Increase** of the previous **Financial Year**, otherwise is set to infinity.

END OF SECTION 3