
NATIONAL GRID LNG STORAGE CREDIT RULES

1. Introduction:

- 1.1 This document sets out the National Grid LNG Storage Credit Rules (the “**Credit Rules**”) referred to in paragraph 9.1 of TPD Section Z of the Uniform Network Code.

2. Interpretation

- 2.1 For the purposes of these Credit Rules the following terms shall have the following meanings:

“**Acceptable Security**” means any of the following:

- (i) Guarantee;
- (ii) Letter of Credit;
- (iii) Prepayment; or
- (iv) any other form of security proposed by a National Grid LNG Storage User and accepted by National Grid LNG Storage;

“**Affiliate**” means, in relation to National Grid LNG Storage, any holding company or subsidiary of National Grid LNG Storage or any subsidiary of a holding company of National Grid LNG Storage (in each case within the meaning of section 736, 736A and 736B of the Companies Act 1985 (as substituted by section 144 of the Companies Act 1989));

“**Approved Bank**” means any UK clearing bank licensed by the Bank of England, or the London Branch of any other bank which is acceptable to National Grid LNG Storage acting reasonably;

“**Approved Rating Agency**” means any one or more Dunn & Bradstreet, Standard & Poors Rating Group, Moody’s Investor Services Inc or other such other credit rating entity agreed by National Grid LNG Storage and a National Grid LNG Storage User;

“**Business Day**” means a day other than a Saturday or Sunday or bank holiday in England;

“**Code**” means:

- (a) the Uniform Network Code, as and to the extent, incorporated into the Network Code;
- (b) subject to any contrary provision in the Network Code, such additional terms as are contained in the Network Code;

“**Competent Authority**” means the Gas and Electricity Markets Authority, or any local, national or supra national agency, authority or department, inspectorate, minister, official, court, tribunal or public or statutory person (whether autonomous or not) of the United Kingdom (or the

government thereof) or the European Communities which has jurisdiction over National Grid LNG Storage or a National Grid LNG Storage User or the subject matter of these Credit Rules;

“Defaulted Security” has the meaning given in paragraph 4.5;

“Event of Default” means either where the Storage Indebtedness of a National Grid LNG Storage User has exceeded the Storage Credit Limit of the National Grid LNG Storage User without the prior written consent of National Grid LNG Storage, or where National Grid LNG Storage has given any notice of termination in respect of the National Grid LNG Storage User in accordance with the terms of the Code;

“Guarantee” means a guarantee given by a person other than a National Grid LNG Storage User in favour of National Grid LNG Storage in the form set out in Schedule 1 to these Credit Rules with such amendments as may be approved by National Grid LNG Storage, such approval not to be unreasonably withheld;

“Interest Rate” means

- (a) the rate per annum quoted as of 11.00 a.m. on the date which payment of the Prepayment Sum was made by the National Grid LNG Storage User on the relevant page of the Bloomberg Financial Service as being the LIBOR 3 (three) month London Interbank Offered Rate less 0.125; or
- (b) where there is no relevant page on that service specified in (a) above, the rate per annum equal to the arithmetic mean of the rates per annum at which each of Barclays Bank plc, HSBC Bank plc, Lloyds TSB Bank plc and Royal Bank of Scotland plc are offering deposits in pound sterling for a period of 3 (three) months to leading banks in the London inter-bank market at or about 11.00am on the proposed date of the Prepayment Sum less 0.125;

“Letter of Credit” means an irrevocable stand-by letter of credit in favour of National Grid LNG Storage in respect of all Storage Indebtedness of a National Grid LNG Storage User drawn on an Approved Bank and in the form set out in Schedule 2 to these Credit Rules with such amendments as may be approved by National Grid LNG Storage, such approval not to be unreasonably withheld;

“Network Code” means the network code prepared by National Grid Gas plc pursuant to its gas transporter licence, as such network code may be modified or amended from time to time, and which incorporates the Uniform Network Code;

“Prepayment” means payment in advance by a National Grid LNG Storage User of amounts due under TPD Section Z of the Uniform Network Code in accordance with paragraph 5.4;

“Relevant Date” means the later of:

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- (a) the Invoice Due Date of the relevant Invoice Document; or
 - (b) the date on which that Invoice Amount is payable pursuant to Section S if applicable (but without prejudice to any requirement of the National Grid LNG Storage User to pay interest pursuant to that Section).

“Storage Credit Limit” means an amount representing a National Grid LNG Storage User’s maximum permitted Storage Indebtedness determined in accordance with paragraph 4;

“Storage Indebtedness” has the meaning given in the Code;

“TPD” means the Transportation Principal Document forming part of the Uniform Network Code;

“Uniform Network Code” means the uniform network code prepared by National Grid and other gas transporters pursuant to the provisions of their respective gas transporter licences, as such uniform network code may be modified or amended from time to time;

“National Grid LNG Storage User” shall mean any User who utilises any National Grid LNG Storage Facility.

- 2.2 Unless the context otherwise requires all references to a particular paragraph or Schedule shall be a reference to that paragraph or Schedule in these Credit Rules.
- 2.3 Headings are inserted for convenience only and shall be ignored in construing these Credit Rules.
- 2.4 Words in the singular may be interpreted as including the plural and vice versa.
- 2.5 Unless the context otherwise requires, any reference to any law shall be construed, at the particular time, as including a reference to any modification, extension or re-enactment thereof then in force and to all instruments, orders or regulations then in force and made under or deriving validity from such law.
- 2.6 Capitalised words and phrases not defined in these Credit Rules shall have the meaning given to such words and phrases in the Code.

3. Scope

- 3.1 The Storage Credit Limit of each National Grid LNG Storage User shall be determined in accordance with the terms of these Credit Rules.
- 3.2 Subject to paragraph 5.6(a), each National Grid LNG Storage User shall provide Acceptable Security for the amount of its Storage Credit Limit in accordance with the provisions of paragraph 5.

4. Storage Credit Limit

- 4.1 National Grid LNG Storage shall determine a Storage Credit Limit for each National Grid LNG Storage User. Such Storage Credit Limit shall be established by reference to a reasonable estimate of each National Grid LNG Storage User's projected Storage Indebtedness.
- 4.2 National Grid LNG Storage shall keep each National Grid LNG Storage User informed of its Storage Credit Limit, and any revisions to the Storage Credit Limit, from time to time.
- 4.3 The Storage Credit Limit of a National Grid LNG Storage User may from time to time be reviewed and revised by National Grid LNG Storage, on notice of not less than 30 days (or any lesser period agreed by the National Grid LNG Storage User) to the National Grid LNG Storage User:
- (a) at intervals of approximately 12 months;
 - (b) at the National Grid LNG Storage User's request;
 - (c) following an Approved Rating Agency revising downwards the credit rating of the National Grid LNG Storage User (where there is no person providing Acceptable Security on behalf of the National Grid LNG Storage User) or any person providing Acceptable Security on behalf of the National Grid LNG Storage User;
- 4.4 Where a National Grid LNG Storage User (where there is no person providing Acceptable Security on behalf of the National Grid LNG Storage User) or any person providing Acceptable Security on behalf of a National Grid LNG Storage User no longer possesses a credit rating or has a credit rating that is less than investment grade, the National Grid LNG Storage User's Storage Credit Limit may be immediately reviewed and revised by National Grid LNG Storage in accordance with these Credit Rules, on notice to the National Grid LNG Storage User.
- 4.5 Except to the extent provided for in paragraph 5.2(b) or 5.3(b), where any Acceptable Security expires, is determined or otherwise becomes invalid ("**Defaulted Security**") then the Storage Credit Limit shall be immediately reduced without notice by National Grid LNG Storage in an amount equal to the Defaulted Security.
- 4.6 Subject to paragraph 4.7, National Grid LNG Storage will bear the costs and fees that it incurs (but not any costs incurred by the National Grid LNG Storage User) in connection with any review of a National Grid LNG Storage User's Storage Credit Limit in accordance with paragraph 4.3.
- 4.7 National Grid LNG Storage will not be obliged to agree to any request of a National Grid LNG Storage User under paragraph 4.3(b) unless the National Grid LNG Storage User agrees to reimburse to National Grid LNG Storage the reasonable costs and fees payable by National Grid LNG Storage to any third party in connection with such request.

5. Acceptable Security

5.1 General:

- (a) Subject to paragraph 4.5.1, each National Grid LNG Storage User shall provide National Grid LNG Storage with Acceptable Security for the amount of its Storage Credit Limit.
- (b) Subject to the following provisions of this paragraph 5 a National Grid LNG Storage User may elect which form of Acceptable Security it wishes to provide in respect of its Credit Limit, and a National Grid LNG Storage User shall be entitled to elect to provide a combination of any forms of Acceptable Security. A National Grid LNG Storage User may change its election on giving not less than 30 days notice to National Grid LNG Storage.

5.2 Guarantee:

- (a) Unless National Grid LNG Storage agrees in writing that the provisions of paragraphs 5.2(a) and 5.2(b) shall not apply, a National Grid LNG Storage User may only elect to provide National Grid LNG Storage with a Guarantee as Acceptable Security where the person providing the Guarantee has investment grade status with an Approved Rating Agency.
- (b) In the event that the person providing the Guarantee ceases at any time to have investment grade status with an Approved Rating Agency then such Guarantee shall no longer be considered as Acceptable Security. The relevant National Grid LNG Storage User shall have 30 days from the date of such cessation to provide National Grid LNG Storage with an alternative form of Acceptable Security in respect of its Storage Credit Limit, failing which the Guarantee shall be deemed to have become invalid (but only for the purposes of constituting Acceptable Security but not otherwise, and provided that National Grid LNG Storage shall continue to be able to enforce the Guarantee in accordance with its terms up until the time at which the National Grid LNG Storage User puts in place alternative Acceptable Security in respect of its Storage Credit Limit) and the provisions of paragraph 4.5 shall apply.

5.3 Letter of Credit:

- (a) A National Grid LNG Storage User may only elect to provide National Grid LNG Storage with a Letter of Credit as Acceptable Security where the person providing the Letter of Credit is an Approved Bank.
- (b) In the event that the person providing the Letter of Credit ceases at any time to be an Approved Bank then such Letter of Credit shall no longer be considered as Acceptable Security. The relevant National Grid LNG Storage User shall have 30 days from the date of such cessation to provide National Grid LNG Storage with an alternative form of

Acceptable Security in respect of its Storage Credit Limit, failing which the Letter of Credit shall be deemed to have become invalid (but only for the purposes of constituting Acceptable Security but not otherwise, and provided that National Grid LNG Storage shall continue to be able to enforce the Letter of Credit in accordance with its terms up until the time at which the National Grid LNG Storage User puts in place alternative Acceptable Security in respect of its Storage Credit Limit) and the provisions of paragraph 4.5 shall apply.

5.4 Prepayment:

- (a) Where a National Grid LNG Storage User has elected Prepayment as a form of Acceptable Security the provisions of this paragraph 5.4 shall apply.
- (b) National Grid LNG Storage shall submit a statement (the “**Prepayment Statement**”) to the National Grid LNG Storage User by the 20th day of each calendar month setting out National Grid LNG Storage’s estimate of the National Grid LNG Storage User’s Storage Indebtedness for the next calendar month (the “**Charging Month**”).
- (c) The National Grid LNG Storage User shall be required to make payment of the amount specified in the Prepayment Statement (the “**Prepayment Amount**”) in cleared funds by the last day of the calendar month prior to the Charging Month or, if the last day is not a Business Day, on the next following Business Day.
- (d) If the National Grid LNG Storage User fails to make payment in accordance with paragraph 5.4(c) the unpaid amount shall be deemed to constitute Defaulted Security and the provisions of paragraph 4.5 shall apply.
- (e) The Prepayment Amount shall, in the month to which the Prepayment Statement relates, and subject to TPD Section S, be allocated and used by National Grid LNG Storage to satisfy each Invoice Document on its relevant Invoice Due Date.
- (f) Prepayments made by the National Grid LNG Storage User to National Grid LNG Storage under this Agreement shall belong beneficially and absolutely to National Grid LNG Storage.
- (g) National Grid LNG Storage will, in each month following the Charging Month, carry out a reconciliation of amounts due to and from National Grid LNG Storage and the National Grid LNG Storage User in respect of the Charging Month.
- (h) Any net payment due to or from National Grid LNG Storage pursuant to such reconciliation shall be made by the National Grid LNG Storage User or National Grid LNG Storage (as appropriate) in accordance with the provisions of TPD Section S.

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- (i) In the event that the Prepayment Amount in respect of a Charging Month exceeds the actual Storage Indebtedness incurred by the National Grid LNG Storage User in respect of that Charging Month, interest shall accrue on the amount of the overpayment (being the Prepayment Sum less the actual Storage Indebtedness of the National Grid LNG Storage User in respect of the relevant Charging Month (the “**Overpayment**”)) at an annual percentage rate of interest equal to the Interest Rate from (and including) the day after the Relevant Date to (and including) the date upon which payment is made by National Grid LNG Storage to the National Grid LNG Storage User of the Overpayment (the “**Overpayment Interest**”).
 - (j) In the event that the Prepayment in respect of a Charging Months is less than the actual Storage Indebtedness incurred by the National Grid LNG Storage User in respect of that Charging Month, interest shall accrue and be payable by the National Grid LNG Storage User to National Grid LNG Storage in accordance with TPD Section S in respect of the underpaid amount from the relevant Invoice Due Date until payment of the underpaid amount is made by the National Grid LNG Storage User.
 - (k) In the event that National Grid LNG Storage fails to pay to the User the Overpayment Interest on the date upon which National Grid LNG Storage makes payment to the National Grid LNG Storage User of the Overpayment, interest shall accrue on the amount of the unpaid Overpayment Interest at an annual percentage rate of interest equal to the Interest Rate from (and including) the day after the date that National Grid LNG Storage makes payment of the Overpayment to (and including) the date upon which payment is made by National Grid LNG Storage to the National Grid LNG Storage User of the Overpayment Interest.
 - (l) For the avoidance of doubt, nothing in this paragraph 5.4 shall affect the Invoice Due Date of any Invoice Document issued by National Grid LNG Storage.

5.5 Release of Acceptable Security:

- (a) Where a National Grid LNG Storage User has provided National Grid LNG Storage with Acceptable Security, the National Grid LNG Storage User (or the person providing such security) may request National Grid LNG Storage to release all or any of such security or agree to a reduction in any maximum amount of such security.
- (b) Following a request under paragraph 5.5(a), National Grid LNG Storage will as soon as reasonably practicable and in any event not more than 10 Business Days after such request, release the security, or agree to a reduction in the security to such extent or by such amount as will permit the conditions in paragraph 5.5(c) to be satisfied.
- (c) The conditions referred to in paragraph 5.5(b) are that:

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- (i) the amount of the National Grid LNG Storage User's Storage Credit Limit at the time of the release or reduction is not more than the amount of the Acceptable Security left remaining after such release or reduction (after taking account of any alternative security provided by the National Grid LNG Storage User); and
 - (ii) the amount of the National Grid LNG Storage User's Storage Indebtedness at the date of such release or reduction is not more than 85% of the amount of the National Grid LNG Storage User's Storage Credit Limit, determined in accordance with these Credit Rules on the basis of the release of or reduction in security (and taking account of any alternative security provided by the National Grid LNG Storage User).
- (d) If, after the National Grid LNG Storage User ceases to be a party to the Network Code, the National Grid LNG Storage User's Storage Indebtedness is zero then National Grid LNG Storage shall immediately release all outstanding Acceptable Security relating to that National Grid LNG Storage User.

5.6 Exceptions:

- (a) Notwithstanding any other provisions of these Credit Rules, for as long as a National Grid LNG Storage User may hold investment grade status with an Approved Rating Agency it shall not be required to provide Acceptable Security to cover its Storage Credit Limit, provided that where a National Grid LNG Storage User ceases at any time to have investment grade status with an Approved Rating Agency, it shall have 15 days from the date of such cessation to provide National Grid LNG Storage with Acceptable Security in respect of its Storage Credit Limit.

6. Default

- 6.1 Without prejudice to any rights of National Grid LNG Storage under the Code, in an Event of Default National Grid LNG Storage may call upon or take any step to enforce and realise any Acceptable Security relating to a National Grid LNG Storage User to the extent necessary to recover all Storage Indebtedness of the National Grid LNG Storage User.

7. General Provisions

- 7.1 Nothing in these Credit Rules shall be construed as withdrawing from a National Grid LNG Storage User any right to dispute the validity of any invoice submitted by National Grid LNG Storage pursuant to the Code.
- 7.2 Nothing in these Credit Rules shall constitute any duty of care or other obligation on the part of National Grid LNG Storage (whether to or for the benefit of a National Grid LNG Storage User) in relation to the implementation of these Credit Rules.

8. Notices and Communications

- 8.1 The provisions of the Code in relation to the giving and receiving of notices shall apply to any notice to be given pursuant to these Credit Rules.

9. Variations

- 9.1 These Credit Rules may be amended or varied by National Grid LNG Storage: provided that any such amendment or variation shall not take effect other than from the next occurring 1 May, and provided further that any such amendment or variation shall be notified by National Grid LNG Storage to each National Grid LNG Storage User in the relevant Annual Storage Invitation.

10. Waiver

- 10.1 No delay or omission by National Grid LNG Storage in exercising any right, power, privilege or remedy under these Credit Rules or any Acceptable Security shall operate to impair such right, power, privilege or remedy or be construed as a waiver thereof. Any single or partial exercise of such right, privilege or remedy shall not preclude any other or future exercise therefore or the exercise of any other right, power, privilege or remedy.

11. Severance

- 11.1 If any provision of these Credit Rules is or becomes invalid, unenforceable or illegal, or is declared invalid, unenforceable or illegal by any court of competent jurisdiction or by order of any Competent Authority, such invalidity, unenforceability or illegality shall not prejudice the remaining provisions of these Credit Rules which shall continue in full force and effect notwithstanding the same.

12. Third Party Rights

- 12.1 Subject to any rights which may accrue to any successor or permitted assign of National Grid LNG Storage or a National Grid LNG Storage User, no provision of these Credit Rules shall or may be construed as creating any rights enforceable by a third party and all third party rights as may be implied by law are hereby excluded to the fullest extent permitted by law from these Credit Rules.

13. Jurisdiction

- 13.1 National Grid LNG Storage and each National Grid LNG Storage User irrevocably agree that the courts of England shall have exclusive jurisdiction to settle any disputes which may arise out of or in connection with these Credit Rules and accordingly any suit or action or proceeding (collectively 'proceedings') arising out of or in connection with these Credit Rules may be brought in such courts.

13.2 National Grid LNG Storage and each National Grid LNG Storage User irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any proceedings in any such court as is referred to in paragraph 13.1 and any claim that any such proceedings have been brought in an inconvenient forum and further irrevocably agrees that a judgement in any proceedings brought in the English courts shall be conclusive and binding upon it and may be enforced by the courts of any other jurisdiction.

13.3 Where a National Grid LNG Storage User is not a company incorporated under the Companies Act 1985, it shall provide National Grid LNG Storage an address in England and Wales for service of process on its behalf in any proceedings.

14. Governing Law

14.1 These Credit Rules shall be governed by and construed in all respects in accordance with English Law.

Schedule 1 – FORM OF PARENT COMPANY GUARANTEE

Parent Company Guarantee

THIS DEED OF GUARANTEE is made the day of

by [] a company registered in England (No. []) and having registered office at []
(the “**Guarantor**”)

IN FAVOUR OF

National Grid Gas plc a company registered in England (No 2006000) having its registered office at
1-3 Strand, London, WC2N 5EH (“**National Grid LNG Storage**” or “**National Grid LNG Storage**”).

WHEREAS

- (A) [], a company registered in England (No []) whose registered office is at [] (the “**Customer**”) [has entered][wishes to enter] into Storage Agreements with National Grid LNG Storage.
- (B) Under the terms of the credit rules (the “**Credit Rules**”) applying pursuant to the Storage Agreements, the Customer is required to provide National Grid LNG Storage with Acceptable Security in respect of its Storage Credit Limit. The Customer has elected to provide all [or part] of the Acceptable Security by means of this Deed of Guarantee.
- (C) The Guarantor [is the parent company of the Customer and] has agreed to guarantee the Customer's obligations under the Credit Rules and the Storage Agreements in accordance with the terms hereof.

NOW THIS DEED WITNESSETH and the Guarantor hereby agrees as follows:

1. Interpretation

- 1.1 Words and expressions defined in the Credit Rules and not defined in this Deed shall have the same meanings ascribed to them under the Credit Rules.

2. Commencement and Substitution

- 2.1 Subject to clause 9.3, this Deed is effective from and including [the date hereof] (the “**Effective Date**”).
- 2.2 [This Deed is in substitution for the deed of guarantee dated [] by the Guarantor in favour of National Grid LNG Storage in respect of the same subject matter (the “**Existing Deed**”). The Existing Deed shall terminate upon the Effective Date save that the Guarantor shall remain liable for all liabilities thereunder in respect of any matter arising prior to the Effective Date (including contingent and unascertained liabilities) but which may not be

identified or be demanded by National Grid LNG Storage until after the Effective Date. If any monies paid under the Existing Deed to National Grid LNG Storage have to be repaid by virtue of any provision relating to bankruptcy, insolvency or liquidation or on any other ground, the Guarantor's liability under the Existing Deed shall be as if the Existing Deed were still in full force and effect and as if such monies had never been paid to National Grid LNG Storage at all; and]

- 2.3 [Save as provided in clause 2.2 above,] this Deed is not in substitution for, and is in addition to and without prejudice to (and is not prejudiced by) any other guarantee or security which may have been given or may at any later time be given by the Guarantor to National Grid LNG Storage.

3. The Guarantor's Obligations

- 3.1 The Guarantor hereby unconditionally and irrevocably guarantees to pay to National Grid LNG Storage within seven (7) days of demand all monies which are now or in the future shall become due or owing by the Customer to National Grid LNG Storage under or in connection with the Credit Rules and/or the Storage Agreements.
- 3.2 The Guarantor as a separate and independent obligation and liability from its obligations and liabilities under clause 3.1 (but subject to clause 4), irrevocably and unconditionally agrees to indemnify and keep indemnified National Grid LNG Storage in full and on demand against all losses, costs and expenses suffered or incurred by National Grid LNG Storage arising from or in connection with:
- (a) National Grid LNG Storage entering into the Storage Agreements;
 - (b) any of the provisions of the Credit Rules and/or the Storage Agreements being or becoming void, voidable, invalid or unenforceable; or
 - (c) the failure of the Customer to fully and promptly perform any of its obligations to National Grid LNG Storage under the Credit Rules and/or the Storage Agreements.
- 3.3 The Guarantor shall indemnify and keep indemnified National Grid LNG Storage (to the extent not otherwise indemnified under this Deed) on demand by National Grid LNG Storage against all losses, actions, claims, costs, charges, expenses and liabilities suffered or incurred by National Grid LNG Storage in respect of this Deed (including the costs, charges and expenses incurred in the enforcement of any of the provisions of this Deed or occasioned by any breach by the Guarantor of any of its obligations to National Grid LNG Storage under this Deed).
- 3.4 The Guarantor agrees to pay interest on each amount demanded under this Deed from the date of demand until payment (as well after as before judgement) at a rate of three (3) per cent per annum above Barclays Bank plc's base rate accruing on a day to day basis. Such interest

shall be calculated and compounded monthly if not paid on demand but without prejudice to National Grid LNG Storage' right to require payment of such interest.

4. Limit on liability

- 4.1 The Guarantor shall not be liable, when fulfilling the guarantee given in clause 3.1, to pay to National Grid LNG Storage any greater sum than that for which the Customer is liable to National Grid LNG Storage under or arising out of the Credit Rules and/or the Storage Agreements: provided further that the aggregate liability of the Guarantor when fulfilling the guarantee given in clause 3.1, shall not exceed ([] pounds sterling (£[])).

5. No Impairment etc of Guarantor's liability

- 5.1 The liability of the Guarantor under this Deed shall not be impaired or discharged, reduced or otherwise affected in any way by reason of any of the following (whether or not the Guarantor has notice thereof):
- (a) any amendment, variation or waiver (whether material or otherwise) of the Credit Rules or any Storage Agreements or their respective durations (if any) agreed (whether on a formal or informal basis) between National Grid LNG Storage and the Customer;
 - (b) any indulgence or forbearance shown by National Grid LNG Storage towards the Customer or the Guarantor whether as to payment or time for payment or any arrangement entered into or composition discharge, release or other variation of liability entered into with or granted to the Customer;
 - (c) any action lawfully taken by National Grid LNG Storage to determine the Credit Rules or any Storage Agreements as respects the Customer or any other party thereto, or as a result of which the Customer ceases to be a party to any Storage Agreements;
 - (d) any change in the relationship between the Guarantor and the Customer;
 - (e) any legal limitation, disability, incapacity or change in the status or constitution of the Customer, the Guarantor or National Grid LNG Storage;
 - (f) the liquidation, dissolution or insolvency of the Customer or any receivership, judicially supervised administration, moratorium, composition of creditors or other analogous event affecting the Customer or any of its property;
 - (g) any third party becoming or ceasing to be a party to any Storage Agreements;
 - (h) any failure or delay by National Grid LNG Storage to assert any of its rights under this Deed of Guarantee;

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- (i) National Grid LNG Storage taking, holding, varying, releasing, registering, not registering, realising or not enforcing any other security in respect of the Customer's liabilities under the Credit Rules or any Storage Agreements;
 - (j) the illegality, invalidity or unenforceability of the Credit Rules and/or the Storage Agreements or of the obligations of the Customer under the Credit Rules and/or the Storage Agreements; or
 - (k) any other act or omission of National Grid LNG Storage or any other circumstance which, but for this provision, might discharge the Guarantor.

6. Continuing Security and Retention

6.1 This Deed of Guarantee is and at all times shall be a continuing security and shall not be affected by any performance, payment, settlement or other matter and shall remain at all times in effect until the date of termination of the Storage Agreements as respects the Customer but without prejudice to the following which shall continue to be due hereunder without limit in time:-

- (a) any monies which may later become due by virtue of clause 12; and
- (b) any liabilities in respect of any matter arising prior to or on the date of such termination or expiry (including contingent and unascertained liabilities) but which may not be identified or be demanded by National Grid LNG Storage until after such time.

6.2 National Grid LNG Storage shall be entitled to retain this Deed after its termination for such period as it may determine.

7. Primary Obligation

7.1 The obligations and liabilities expressed to be undertaken by the Guarantor under this Deed are those of primary obligor and not merely as surety.

7.2 National Grid LNG Storage may enforce this Deed without first making demand on, or taking any proceedings against, the Customer or resorting to any other security, guarantee or other means of payment. No action (or inaction) by National Grid LNG Storage in respect of any such security, guarantee or other means of payment shall prejudice or affect the liability of the Guarantor under this Deed.

8. Rights of Guarantor against the Customer

8.1 The Guarantor shall, for so long as it may have any actual, contingent or potential liability under this Deed, exercise only in accordance with National Grid LNG Storage's instructions:

- (a) its rights of subrogation, contribution, reimbursement and indemnity;

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- (b) its right to take the benefit of, share in or enforce any security or other guarantee or indemnity for the Customer's obligations held by National Grid LNG Storage; and
 - (c) its right to prove or claim in the bankruptcy, receivership, liquidation, administration or other insolvency proceedings of the Customer.

Any amount recovered as a result of the exercise of any of such rights shall be paid to National Grid LNG Storage on demand.

- 8.2 The Guarantor hereby warrants to National Grid LNG Storage that it does not hold and will not take or hold without National Grid LNG Storage's consent in connection with this Deed of Guarantee any security whatever from the Customer. Any security so taken (whether with or without the consent of National Grid LNG Storage) shall be held in trust for National Grid LNG Storage and as security for the Guarantor's liability under this Deed of Guarantee. The Guarantor shall deposit such security and any documents relating thereto with National Grid LNG Storage as soon as practicable after the taking of such security.

9. The Guarantor's warranties

- 9.1 The Guarantor represents and warrants to National Grid LNG Storage on the date hereof and on each day during the term of this Deed of Guarantee that:

- (a) the Guarantor is duly incorporated and validly existing as a company limited by shares under the laws of its place of incorporation, is not insolvent and that there are no pending insolvency (or similar) or other proceedings (including dissolution) against the Guarantor and no liquidator, administrator, receiver or similar official has been appointed in respect of the Guarantor and/or any of its assets;
- (b) the Guarantor has the capacity to sue and be sued on its own name and has power to carry on its business as now being conducted and to own its property and other assets;
- (c) the Guarantor has full power and authority to execute, deliver and perform its obligations under this Deed of Guarantee and no limitation on the powers will be exceeded as a result of the Guarantor entering into this Deed of Guarantee;
- (d) all actions, conditions and things required to be done have been done to enable the Guarantor to lawfully enter into this Deed of Guarantee and perform its obligations hereunder, to ensure that the obligations under this Deed of Guarantee are legal, valid and binding in accordance with its terms, and to make this Deed of Guarantee admissible in its place of incorporation;
- (e) to ensure the validity, admissibility in evidence, or enforceability of this Deed of Guarantee, it is not necessary that it or any other document be filed, registered or recorded or that any fee, tax or charge be paid;

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- (f) this Deed of Guarantee has been duly authorised and executed by duly authorised persons in accordance with the constitutional documents of the Guarantor and the laws of its place of incorporation and does not contravene or conflict with any of such constitutional documents or any legal, contractual or other obligation of the Guarantor;
 - (g) this Deed of Guarantee constitutes the legal, valid, binding and enforceable obligations of the Guarantor in accordance with its terms;
 - (h) the choice of English law to govern this Deed of Guarantee and the Guarantor's submission to the jurisdiction of the English courts is valid and would be recognised and applied by the courts in the place of incorporation of the Guarantor;
 - (i) no taxes, levies or other charges will be imposed on any payment to be made by the Guarantor under this Deed of Guarantee or by virtue of the execution or delivery of this Deed of Guarantee;
 - (j) no consent, licence, approval or authorisation of any governmental authority or agency has to be obtained in connection with the execution, legality, validity or enforceability of this Deed of Guarantee or the Guarantor's performance of its obligations hereunder;
 - (k) the Guarantor is not entitled to claim immunity from any suit, execution, attachment or other legal process in the place of incorporation of the Guarantor; and
 - (l) if any judgement of a court in England was granted against the Guarantor in respect of or in connection with this Deed of Guarantee, such judgement would be recognised and could be sued upon in the place of incorporation of the Guarantor.

9.2 The Guarantor acknowledges that National Grid LNG Storage has accepted this Deed of Guarantee in full reliance on the representations and warranties set out in this clause 9.

9.3 If the Guarantor is incorporated outside England and Wales then it is a pre-condition to the acceptance of this Deed of Guarantee by National Grid LNG Storage that the Guarantor shall deliver to National Grid LNG Storage, within seven (7) days of the date hereof (or such other date as may be specified by National Grid LNG Storage), a legal opinion given by such person and in such form as National Grid LNG Storage may specify. This Deed of Guarantee shall not become effective until such time as National Grid LNG Storage has received such legal opinion.

10. Payments

10.1 All payments by the Guarantor under this Deed of Guarantee shall be made in full, without set-off or counterclaim and, subject to clause 10.2, free and clear of any deductions or withholdings in immediately available, freely transferable, cleared funds for value on the date specified in

National Grid LNG Storage's demand to the account notified to the Guarantor by National Grid LNG Storage.

10.2 If at any time the Guarantor is required by law to make any deduction or withholding in respect of any taxes, duties or other charges or withholdings from any payment due under this Deed of Guarantee, the sum due from the Guarantor in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, National Grid LNG Storage receives on the due date and retains (free of any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made.

10.3 National Grid LNG Storage may apply any credit balance to which the Guarantor is entitled on any account of the Guarantor with National Grid LNG Storage in or towards satisfaction of any sum then due and payable from the Guarantor under this Deed of Guarantee.

11. Rights of National Grid LNG Storage

11.1 If this Deed of Guarantee ceases to be continuing for any reason, National Grid LNG Storage may nevertheless continue any account of the Customer or open one or more new accounts, and the liability of the Guarantor under this Deed of Guarantee shall not be reduced or affected by any subsequent transactions or receipts or payments into or out of any such account.

12. Bankruptcy, etc of the Customer

12.1 Any settlement, discharge or release between the Guarantor and National Grid LNG Storage shall be conditional on no security given or payment made to National Grid LNG Storage by the Customer or any other person being avoided or reduced by virtue of any enactments relating to bankruptcy, insolvency, receivership, administration or liquidation (or any analogous proceeding) for the time being in force. National Grid LNG Storage shall be entitled (subject to any limit in the total amount recoverable under this Deed of Guarantee) to recover the value or amount of any such security or payment from the Guarantor subsequently as if such settlement, discharge or release had not occurred.

12.2 National Grid LNG Storage may retain any security held by it for the Guarantor's liability under this Deed of Guarantee for the relevant period after payment of all sums due to National Grid LNG Storage from the Customer. If within the relevant period after such repayment a petition shall be presented for an order for the winding-up or administration of the Customer or the Customer shall commence to be wound-up or shall be the subject of an administration order, National Grid LNG Storage may continue to retain such security or any part of it for such further period as National Grid LNG Storage shall determine in its discretion. In this clause 12.2, the **"relevant period"** means the relevant statutory period, extended by one month, within which any payment or security made to or held by National Grid LNG Storage may be avoided or invalidated under any enactment relating to insolvency.

13. Assignment

- 13.1 The Guarantor may not assign or transfer any of its rights or obligations under this Deed. National Grid LNG Storage may assign all or part of its rights under this Deed of Guarantee to any Affiliate who is from time to time party to the Credit Rules and/or a Storage Agreement.
- 13.2 Without prejudice to clause 13.1, references in this Deed to National Grid LNG Storage, the Guarantor and the Customer include, where the context permits, such persons' successors in title and assigns.

14. Cumulative Rights

- 14.1 National Grid LNG Storage's rights under the Deed are cumulative and not exclusive of any rights provided by law and may be exercised from time to time and as often as National Grid LNG Storage deems expedient.

15. Notices

- 15.1 Any notice or other communication to be served by National Grid LNG Storage under this Deed shall be deemed properly served if left or delivered by hand, sent by first class recorded delivery or sent by facsimile to the Guarantor at the [following address and facsimile number (*in the case of a company incorporated in England and Wales*)] [address and facsimile number of its agent appointed pursuant to clause 17.5 (*in the case of a company incorporated outside England and Wales*)].

[[Company name]
[Address (to be in England and Wales)]]

Facsimile number: []

Marked for the attention of: []

or such other address as the Guarantor may from time to time notify to National Grid LNG Storage.]

- 15.2 Any notice or other communication to be served by the Guarantor under this Deed shall be deemed properly served if left or delivered by hand, sent by first class recorded delivery or sent by facsimile to National Grid LNG Storage at:-

National Grid Gas plc
National Grid LNG Storage
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

Facsimile number: 01926 656600

Marked for the attention of: Sales and Marketing Manager, LNG Storage

or such other address and/or facsimile number as National Grid LNG Storage may from time to time notify to the Guarantor.

15.3 Notices and other communications sent under this Deed shall be deemed to have been received:-

- (a) at the time of delivery where left or delivered by hand;
- (b) on the second business day after despatch where sent by first class recorded delivery (a “**business day**”, for the purposes of this clause 15.3, being a day which is not a Saturday, Sunday or public holiday in England); or
- (c) upon confirmation by the recipient’s facsimile machine of transaction in the case of notice sent by facsimile between 9.00am and 5.00 pm London time on a business day, or at 9.00am on the next business day following confirmation by the recipient’s facsimile machine of transaction in the case of notice sent by facsimile at any other time. Any notice given by facsimile shall be subsequently confirmed by letter sent by post or left or delivered by hand but without prejudice to the validity of the original notice if transmitted.

16. Miscellaneous

16.1 If any provisions of this Deed become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

16.2 A person who is not a party to this Deed (including any employee, officer, agent, representative or sub-contractor of any party) shall not have the right to enforce any term of this Deed which expressly or by implication confers a benefit on that person without the express prior agreement in writing of the Guarantor and National Grid, which agreement must refer to this clause 16.

16.3 The termination or expiry of this Deed shall not affect those provisions expressly or impliedly deemed to survive such termination or expiry.

17. Governing Law

17.1 This Deed is governed by and shall be construed in accordance with English law.

17.2 The courts of England have exclusive jurisdiction to settle any disputes arising out of or connected with this Deed (including, without limitation, a dispute regarding the existence, validity or termination of this Deed or the consequences of its nullity (a “**Dispute**”).

17.3 The parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes between them and accordingly they will not argue to the contrary.

17.4 This clause 17 is for the benefit of National Grid only. As a result and notwithstanding clause 17.2 it does not prevent National Grid from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, National Grid may take concurrent proceedings in any number of jurisdictions.

17.5 [The Guarantor authorises and appoints [full name] of [address in England or Wales] [NB: not the Customer] to accept service of all legal process arising out of or connected with this Deed. Service on such person shall be deemed to be service on the Guarantor. The Guarantor shall not revoke any such authority or appointment and shall at all times maintain an agent for service of process in England. If any agent ceases for any reason to be an agent, the Guarantor shall forthwith appoint another agent and advise National Grid LNG Storage accordingly. For the purposes of clause 15.1, the address and facsimile number to which notices under this Deed of Guarantee shall be sent is:-

[[Company name]

[Address (to be in England and Wales)]

Facsimile number: []

Marked for the attention of: []

or such other address as may from time to time be notified to National Grid LNG Storage.]

IN WITNESS WHEREOF the Guarantor has caused this Deed of Guarantee to be executed and delivered as its deed the day and year first before written.

EXECUTED AND DELIVERED AS A DEED

by [company name] acting by:-

..... Director

..... Director/Company Secretary

Schedule 2 – FORM OF LETTER OF CREDIT

Letter of Credit

To: National Grid Gas plc
(trading as National Grid LNG Storage)
1-3 Strand
London
WC2N 5EH

("National Grid LNG Storage")

Date: [.....]

- 1 For the purposes of this letter of credit number [] (this "**Letter of Credit**"):
- (a) the following terms shall (subject as provided in paragraphs (c) and (d) below) have the meanings given to them from time to time in the Uniform Network Code: "**Code**", "**National Grid LNG Storage Facilities**" and "**Storage Indebtedness**";
 - (b) "**Uniform Network Code**" shall mean the document (as the same may be modified, varied or amended from time to time) prepared by National Grid Gas plc and other gas transporters in accordance with the provisions of their respective gas transporter's licences;
 - (c) in the definition of "**Code**", "Transporter" shall mean National Grid Gas plc in its capacity as the owner and operator of the National Grid LNG Storage Facilities; and
 - (d) the term "**Storage Indebtedness**" includes not only Storage Indebtedness as defined in the Code but also Storage Indebtedness as defined in the network code of National Grid LNG Storage as it existed prior to the Effective Date.
- 2 We, by this Letter of Credit, establish in your favour our irrevocable standby letter of credit for the account of *[Insert full company name]*, a company incorporated in *[Insert country of incorporation]* with registered number *[Insert registered number]* whose registered office is at *[Insert registered office address]* (the "**User**"). This Letter of Credit is issued in connection with the User's code indebtedness (being all that indebtedness of the User to National Grid LNG Storage from time to time under, pursuant to, or in respect of, Storage Indebtedness, irrespective of whether such

indebtedness arose prior to, on, or subsequent to the date hereof and/or prior to, on, or subsequent to the Effective Date) (the “**Relevant Indebtedness**”).

3 We understand that the User may from time to time request you to agree to amendments to, or other variations or extensions of, the terms of its Relevant Indebtedness and that the Code may from time to time be modified, varied or amended. Our obligations under this Letter of Credit, as set out herein, will apply notwithstanding any such modifications, amendments, variations or extensions or the termination of the User as a User under the Code provided that:

- (a) our maximum liability to you under this Letter of Credit shall not exceed *[Insert maximum amount payable under this Letter of Credit]*; and
- (b) we shall not be required to pay claims made by you under this Letter of Credit which are received by us after the Expiry Date.

4 We shall make payments to you under this Letter of Credit on your written demand for payment provided such demand is presented to us at *[Insert address of U.K. bank to which demands under this Letter of Credit are to be sent]* accompanied by your certificate that the User has failed to honour, in whole or in part, its Relevant Indebtedness and the amount of your demand under this Letter of Credit is not greater than the total amount of sums then due and payable to you by the User pursuant to such indebtedness. For the avoidance of doubt it is acknowledged that:

- (a) you may demand payment hereunder on any number of occasions but subject to clause 3(a) above; and
- (b) any demand hereunder may be lawfully made by you or any agent on your behalf.

5 This Letter of Credit will become effective on [.....] (the “**Effective Date**”) and expire on *[Insert date when this Letter of Credit expires (NB You must have alternative security in place before expiry)]* (the “**Expiry Date**”) and the demand(s) and certificate(s) referred to in paragraph 4 of this Letter of Credit must be presented by you to us on or before the Expiry Date. We undertake that all demands made in accordance with this Letter of Credit will be met with due honour.

6 This Letter of Credit is a transaction separate from any other on which it may be based.

7. This Letter of Credit is subject to the Uniform Customs and Practice for Documentary Credits (1993 revision) International Chamber of Commerce Publication No. 500, and, to the extent not inconsistent therewith, shall be governed by and construed in accordance with English Law. In the event of any dispute relating to this Letter of Credit, we hereby agree to submit to the exclusive jurisdiction of the Courts of England.

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- 8 All payments by us under this Letter of Credit shall be made in full, without set-off or counterclaim and, save as provided below, free and clear of any deductions or withholdings in immediately available, freely transferable, cleared funds for value on the date specified in your demand to the account notified by you to us. If at any time we are required by law to make any deduction or withholding in respect of any taxes, duties or other charges or withholdings from any payment due under this Letter of Credit, the sum due from us in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, you receive on the due date and retain (free of any liability in respect of such deduction or withholding) a net sum equal to the sum which you would have received had no such deduction or withholding been required to be made.

Signed by [.....] as a duly authorised signatory for and on behalf of *[Insert name of U.K. Bank providing this Letter of Credit]*

Signed by [.....] as a duly authorised signatory for and on behalf of *[Insert name of U.K. Bank providing this Letter of Credit]*