



POLICY NO. FS01

FINANCIAL SECURITY POLICY

This Financial Security Policy is prepared pursuant to, and as defined in, the Code of Operations and Agreements.

VERSION 4.0 - CRU Approved
22nd August 2017

DOCUMENT REVISION

Revision Number	Description	Date
1.0	<ul style="list-style-type: none"> Initial document 	10 th March 2005
2.0	<ul style="list-style-type: none"> Transition to reflect the appointment of Gaslink as the Transmission System Operator 	4 th June 2010
3.0	<ul style="list-style-type: none"> Revised to include Code Modification A053b '<i>Receipt Dates for Letters of Credit</i>' as approved by the Commission on 11th March 2013 Change to Paragraph 14 of the Letter of Credit to update the reference to the 'Uniform Customs and Practice for Documentary Credits' (UCP) from No. 500 to No. 600 'housekeeping' revisions as directed by the Commission on 18th February 2013 	28 March 2013
3.1	<ul style="list-style-type: none"> Revised to delete references to Gaslink as the Transmission System Operator and to reflect Gas Networks Ireland as the owner and operator of the gas networks system and to update legislative reference to the VAT Act 2010 	21 August 2015
4.0	<ul style="list-style-type: none"> Revised to include Code Modification A065 'Financial Security Modifications as a result of CAM' Changes to Credit Ratings of Banks Providing Letters of Credit Drafting changes to reflect changes to Banking Legislation and 'housekeeping' revisions as approved by the Commission on 22nd August 2017 	22 August 2017

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1. **DEFINITIONS**

1.1 Save as expressly defined herein, words and expressions defined in the Code shall have the same meanings when used in this Policy.

1.2 References herein to a "Section" are to a section of this Policy unless stated otherwise.

1.3 In this Policy:

"Account Charge" means a legal charge over a Charged Account entered into or to be entered into by the Counterparty in favour of the Transporter to secure the financial obligations of the Counterparty pursuant to the Agreements;

"Agreement(s)" means, with respect to a Counterparty, a Framework Agreement and each or any Ancillary Agreement, Capacity Booking, Connection Agreement or Siteworks Agreement and/or any other agreement, in each case entered into between such Counterparty and the Transporter from time to time and in each case includes the Code to the extent incorporated therein and/or to the extent that such Counterparty has assumed obligations thereunder;

"Approved Credit Rating" has the meaning given to it in Section 3.1;

"Bank" means the holder of a licence under Section 9 of the Central Bank Act 1971 (as amended) or the holder of an authorisation as a credit institution issued by a competent authority of a jurisdiction other than Ireland under EU Directive No. 2013/36/EU of 26 June 2013;

"Business Day" means any period during which banks are normally open for business on a day (not being a Saturday or Sunday or a day on which banks are generally closed for business in the city of Dublin);

"Call Notice" means a notice from the Transporter to the Counterparty stating that it is making a Demand on the Counterparty's Security Cover, pursuant to Section 7.4;

"Capacity" means any of Entry Capacity, Exit Capacity, Supply Point Capacity and IP Capacity, each as defined in the Code;

"Capacity Charges" means the capacity component of the applicable Tariff;

"Change of Shipper" has the meaning given to it in the Code;

"Charged Account" has the meaning given to it in Section 3.2(e);

"Code" or "Code of Operations" means the code of operations prepared and published by the Transporter pursuant to the Transportation Licences, the Gas (Interim) (Regulation) Act 2002 and the direction of the Commission on the 25 February 2005, and which sets out the terms and conditions for use of the Transmission System and Distribution System by Shippers, as amended modified or revised from time to time;

"Commission for Regulation of Utilities" or "Commission" or "CRU" shall mean the body established pursuant to Section 8 of the Electricity Regulation Act 1999 (as amended);

“Commodity Charges” means the commodity component of the applicable Tariff;

“Communication” has the meaning given to it in Section 2.5;

“Connection Agreement” means the agreement of that name published by the Transporter from time to time with the approval of the Commission;

“Connections Policy” means the Connections Policy Document published by the Transporter (as at the date of this Policy, Revision 4.1 effective from 1 October 2015) as amended, modified or revised from time to time;

“Connection Siteworks” has the meaning given to it in Section 4.2;

“Connection Siteworks Cover” means with respect to a Counterparty, the Required Security Cover Amount required in accordance with Section 6.2 to cover such Counterparty’s request(s) to the Transporter to perform Connection Siteworks;

“Counterparty” means each person who is counterparty to an Agreement (including for the avoidance of doubt a Shipper) with the Transporter;

“Daily Capacity” means Daily IP Entry Capacity, Daily IP CSEP Offtake Capacity or Daily Interruptible IP Capacity, as the case may be;

“Daily Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to allow a Counterparty to participate in an IP Capacity Auction for Daily Capacity, as calculated pursuant to Section 6.2;

“Daily Entry Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s Entry Capacity Bookings in respect of Daily Entry Capacity, pursuant to Section 6.2;

“Daily Exit Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s reservations of Daily Exit Capacity, pursuant to Section 6.2;

“Date of Demand” means the date (being a Business Day) on which the Transporter makes a Demand on a Counterparty’s Security Cover;

“Demand” means a demand or drawdown on Security Cover, made pursuant to Section 8 and the terms thereof;

“Demand Cash Deposit” has the meaning given to it in Section 3.2(c);

“Demand Notice” means a notice from the Transporter to the issuer of a Counterparty’s Security Cover making a demand for payment under the terms of the Security Cover for the amount specified therein;

“Demand Deposit Agreement” means an agreement between the Transporter and a Counterparty to allow the Transporter to appropriate money from the Demand Cash Deposit provided by such Counterparty to offset debts owed by the Counterparty to the Transporter;

“Due Date” has the meaning given to it in the Code;

“Entry Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s Entry Capacity Bookings, pursuant to Section 6.2;

“Euro” or **“€”** means the single currency of the participating member states of the European Union (as described in any EMU legislation);

“Excess Amount” means, with respect to a Counterparty, the aggregate amount (if any) by which such Counterparty’s Total Posted Security Cover Amount exceeds such Counterparty’s Total Required Security Cover Amount from time to time;

“Exit Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s Exit Capacity bookings, pursuant to Section 6.2;

“Fee” means the fee that may be imposed by the Transporter on a Counterparty in accordance with Section 7.5(b);

“Fitch” means Fitch Ratings Limited, or any successor to the credit ratings business of Fitch Ratings Limited;

“GTMS” means the gas transmission management system, which forms part of the GNI (IT) Systems;

“Interconnection Point” or **“IP”** has the meaning given to it in the Code;

“IP Capacity” has the meaning given to it in the Code;

“Large New Connections” has the meaning given to it in the Connections Policy;

“Letter of Credit” has the meaning given to it in Section 3.2(a);

“Long Term Bookings” means Capacity Bookings which have a Yearly or Quarterly duration

“Long Term Entry Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s Entry Capacity Bookings in respect of Long Term Entry Capacity, pursuant to Section 6.2;

“Long Term Exit Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount requested to cover such Counterparty’s reservations of Long Term Exit Capacity, pursuant to Section 6.2;

“Monthly Capacity” means Monthly IP Entry Capacity or Monthly IP CSEP Offtake Capacity, as the case may be;

“Monthly Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to allow a Counterparty to participate in an IP Capacity Auction for Monthly Capacity, as calculated pursuant to Section 6.2;

“Monthly Entry Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s Entry Capacity Bookings in respect of Monthly Entry Capacity, pursuant to Section 6.2;

“Monthly Exit Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s reservations of Short Term Exit Capacity other than Daily Exit Capacity, pursuant to Section 6.2;

“Moody’s” means Moody’s Investors Service, Inc., or any successor to the credit ratings business of Moody’s Investors Service, Inc.;

“NDM” or **“Non-Daily Metered”** has the meaning given to it in the Code;

“NDM Change of Shipper Cover” means, with respect to a Counterparty, the Required Security Cover Amount in respect of which such Counterparty is required to provide Security Cover as a consequence of such Counterparty’s overnight NDM Change of Shipper activity, in accordance with Section 6.2;

“Non-IP Capacity” means Capacity other than IP Capacity;

“Operational Siteworks Services” has the meaning given to it in Section 4.3;

“Operational Siteworks Services Cover” means with respect to a Counterparty, the Required Security Cover Amount in respect of which such Counterparty is required to provide Security Cover in accordance with Section 6.2 as a consequence of such Counterparty’s request(s) to the Transporter to perform Operational Siteworks Services;

“Posted Security Cover Amount” means with respect to a Counterparty and at any particular time, the value of each item of Security Cover provided by such Counterparty to the Transporter in accordance with the terms of this Policy which is then in full force and effect, determined as follows:

- (a) the value of a Letter of Credit or a Qualifying Guarantee at any time shall be deemed to be equal to the maximum amount payable by the issuer of such Letter of Credit or Qualifying Guarantee, as applicable, to the Transporter in accordance with the terms thereof if the conditions to making a claim for payment thereunder were satisfied;
- (b) the value of a Demand Cash Deposit or a Term Cash Deposit at any time shall be deemed to be equal to the amount thereof less any repayments made to the Counterparty and ignoring any interest accrued thereon; and
- (c) the value of a Charged Account at any time shall be deemed to be equal to the amount standing to the credit thereof less any valid pending claims by the Counterparty and ignoring any interest accrued thereon;

“Qualifying Guarantee” has the meaning given to it in Section 3.2(d);

“Quarterly Capacity” means Quarterly IP Entry Capacity or Quarterly IP CSEP Offtake Capacity, as the case may be.

“Quarterly Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s reservation of Quarterly Capacity following an IP Capacity Auction, as calculated pursuant to Section 6.2;

“Relevant Daily Multiplier” means the applicable multiplier as approved by the Commission to be applied to the calculation of the Required Security Cover Amount required for bookings of daily capacity products under the Code;

“Relevant Monthly Multiplier” means the applicable multiplier as approved by the Commission to be applied to the calculation of the Required Security Cover Amount required for bookings of monthly capacity products under the Code;

“Required Security Cover Amount” means, with respect to a Counterparty and at any particular time, each amount determined in accordance with Section 6.2 which is then applicable to such Counterparty;

“S&P” means Standard & Poor's Credit Market Services Europe Limited, or any successor to the credit ratings business of Standard & Poor's Credit Market Services Europe Limited;

“Security Cover” means, with respect to a Counterparty, security for the payment obligations of such Counterparty to the Transporter under the Agreements entered into between such Counterparty and the Transporter in form and substance acceptable to the Transporter, and may take the form of a Letter of Credit, a Qualifying Guarantee, a Term Cash Deposit with Term Deposit Agreement or a Demand Cash Deposit with a Demand Deposit Agreement or a Charged Account with an Account Charge or such other form of security as may be acceptable to the Transporter, pursuant to Section 3.2;

“Security Cover Decrease Amount” means, with respect to a Counterparty and at any particular time, the amount by which such Counterparty’s Total Posted Security Cover Amount exceeds such Counterparty’s recalculated Total Required Security Cover Amount in accordance with Section 6;

“Security Cover Decrease Notice” means a notice issued by the Transporter to a Counterparty in accordance with Section 7.3 notifying such Counterparty that its Total Required Security Cover Amount has been reduced and that the Total Posted Security Cover Amount may be decreased accordingly;

“Security Cover Increase Amount” means, with respect to a Counterparty and at any particular time, the amount by which such Counterparty’s Total Posted Security Cover Amount is less than such Counterparty’s recalculated Total Required Security Cover Amount in accordance with Section 6;

“Security Cover Increase Notice” means a notice issued by the Transporter to a Counterparty in accordance with Section 7.2 notifying such Counterparty that its Total Required Security Cover Amount has been increased and that the Total Posted Security Cover Amount must be increased accordingly;

“Security Cover Notice” means a notice issued by the Transporter to a Counterparty indicating such Counterparty’s then applicable Total Required Security Cover Amount, which may also be a Security Cover Increase Notice or Security Cover Decrease Notice;

“Shippers Connection Siteworks Agreement” means the agreement of that name published by the Transporter from time to time with the approval of the Commission;

“Shippers Operational Siteworks Services Agreement” means the agreement of that name published by the Transporter from time to time with the approval of the Commission;

“Siteworks” means works or services undertaken by the Transporter at the request of a Shipper at or in connection with a DM Offtake, an NDM Supply Point or a Proposed DM Offtake or a Proposed NDM Supply Point and shall include works or services which may be requested or provided in accordance with a Siteworks Agreement;

“Siteworks Agreement” means a Shippers Connection Siteworks Agreement or a Shippers Operational Siteworks Agreement;

“Siteworks Charges Document” means the document of that name published by the Transporter from time to time with the approval of the Commission;

“Supply Point Capacity Cover” means with respect to a Counterparty, the Required Security Cover Amount in respect of which such Counterparty is required to provide Security Cover in accordance with Section 6.2 to cover such Counterparty’s Supply Point Capacity bookings;

“Term Cash Deposit” has the meaning given to it in Section 3.2(b);

“Term Deposit Agreement” means an agreement between the Transporter and a Counterparty to allow the Transporter to appropriate money from the Term Cash Deposit provided by such Counterparty to offset debts owed by the Counterparty to the Transporter;

“Total Posted Security Cover Amount” means, with respect to a Counterparty and at any particular time (i) where only one item of Security Cover has been provided by such Counterparty to the Transporter in accordance with the terms of this Policy and that item of Security Cover is in full force and effect, the Posted Security Cover Amount of such Security Cover or (ii) if more than one item of Security Cover has been provided by such Counterparty to the Transporter in accordance with the terms of this Policy and such items of Security Cover are each in full force and effect, the aggregate of the Posted Security Cover Amounts of each such item of Security Cover;

“Total Required Security Amount” means, with respect to a Counterparty and at any particular time, the aggregate of each Required Security Cover Amount then applicable to such Counterparty;

“Transporter” means Gas Networks Ireland, its predecessors and its permitted successors and/or assigns acting in its capacity as licensee under its Transportation Licences;

“Use of the Transmission and Distribution Systems” means the use of the Transmission and/or Distribution Systems for the acceptance of Natural Gas delivered to the Transportation System, the passing of natural gas through the Transmission and/or Distribution Systems and making it available for offtake at Exit and/or Supply Points;

“Value Added Tax” or **“VAT”** means the value added tax chargeable under the provisions of the Value Added Tax Consolidation Act 2010 or any tax on the supply of goods or services which may hereafter replace or supplement value added tax;

“Within-Day Capacity” means Within Day IP Entry Capacity, Within Day IP CSEP Offtake Capacity or Within Day Interruptible IP Capacity, as the case may be;

“Within-Day Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to allow a Counterparty to participate in an IP Capacity Auction for Within-Day Capacity, as calculated pursuant to Section 6.2;

“Yearly Capacity” means Yearly IP Entry Capacity or Yearly IP CSEP Offtake Capacity, as the case may be; and

“Yearly Capacity Cover” means in respect of a Counterparty the Required Security Cover Amount required to cover such Counterparty’s reservation of Yearly Capacity following an IP Capacity, as calculated pursuant to Section 6.2.

2. INTRODUCTION

2.1 Background & Purpose

This Policy outlines the obligations of a Counterparty to provide Security Cover with respect to its payment obligations under the Agreement(s) where none of the credit ratings of that Counterparty is an Approved Credit Rating or where the long term unguaranteed, unsecured and unsubordinated debt of such Counterparty is not rated by any of S&P, Fitch or Moodys. All Counterparties and the Transporter will be required to comply with the terms and conditions set forth herein.

For the avoidance of doubt, any security cover provided to the Transporter prior to the date of issue of this Policy and which satisfied the requirements of the Transporter’s financial security policy in place at the time such security cover was provided to the Transporter and which is subsisting on and after the date of issue of this Policy shall remain valid and in full force and effect in accordance with the terms and conditions of such security cover.

This Policy is issued with the approval of the Commission.

2.2 Overview of Provisions

Whenever the long term unguaranteed, unsecured and unsubordinated debt of a Counterparty is not rated by any of S&P, Fitch or Moodys, or where such debt of a Counterparty is so rated but no such rating is an Approved Credit Rating, then such Counterparty must provide Security Cover to the Transporter in accordance with this Policy with respect to each Agreement which is applicable to it. The requisite Security Cover must be maintained by the Counterparty in accordance with this Policy throughout the term of the Agreement(s) or until the Counterparty satisfies the Transporter that it has been credit rated with an Approved Credit Rating.

The Required Security Cover Amount applicable to each element of Security Cover required of a Counterparty shall be calculated in accordance with Section 6. The Transporter will review each Required Security Cover Amount applicable to a

Counterparty and calculated under Section 6 in accordance with Section 7. Where the recalculated Total Required Security Cover Amount is greater or less than the current Total Posted Security Cover Amount, the Transporter will require the Counterparty to increase or permit the Counterparty to decrease the Total Posted Security Cover Amount provided by it accordingly.

2.3 **Scope of this Policy**

This Policy sets out the procedures to be followed relating to the provision of Security Cover, including calculation of the applicable Required Security Cover Amount, the form and approval of form of Security Cover, how the Transporter should monitor Security Cover and when the Transporter may make Demands on Security Cover.

2.4 **Compliance with this Policy**

Compliance with this Policy is required under the terms of the Code and the Agreement(s).

In the case of any conflict between the provisions of this Policy and an Agreement, the terms of the relevant Agreement shall prevail.

2.5 **Communication under this Policy**

Any communication or notification given or made by a party to the other party under this Policy (a "**Communication**") shall be:

- (a) in writing and may be delivered by hand to the addressee, or sent by registered post or courier delivery to the address of the addressee or sent by fax (followed up by the original hard copy, where a signature is required, within a maximum of 5 Business Days) to the addressee's fax transmission number specified in writing by the addressee or by email (followed up by fax where expediency is required and the original hard copy, where a signature is required, within a maximum of 5 Business Days) to the addressee's email address specified in writing by the addressee;
- (b) deemed to have been given or made or delivered,
 - (i) if delivered in person or by courier delivery, when actually delivered at the address;
 - (ii) if sent by registered post, on the third (3rd) Business Day following the day of posting or, if sent by airmail from overseas, on the fifth (5th) Business Day following the day of posting;
 - (iii) if sent by fax, when confirmation of its complete transmission has been recorded by the sender's fax machine, provided that in the event that there is a dispute in respect of the time when the notice sent by fax was received, the time of receipt shall be:
 - (A) in the case of a fax sent by a Shipper, the time of receipt of such fax recorded by the Transporter's fax machine, save that in the

event of a fault with the Transporter's fax machine the time of receipt shall be the time of actual receipt; and

(B) in the case of a fax sent by the Transporter, the time of complete transmission of such fax recorded by the Transporter's fax machine save that in the event of a fault with the Transporter's fax machine the time of receipt shall be the time of actual receipt; and

(iv) if sent by email, when confirmation of its transmission has been recorded by the sender's email provided that in the event that there is a dispute in respect of the time when the notice sent by email was received, the time of receipt shall be:

(A) in the case of an email sent by a Counterparty, the time of receipt of such email recorded by the Transporter's email account, save that in the event of a fault with the Transporter's email the time of receipt shall be the time of actual receipt; and

(B) in the case of an email sent by the Transporter, the time of complete transmission of such email recorded by the Transporter's email save that in the event of a fault with the Transporter's email the time of receipt shall be the time of actual receipt,

provided that supplemental evidence in support of and/or demonstrating the above receipt/sending of notices may be addressed by appropriate means (such as, by way of example, telephone data records);

(c) effective when deemed to have been given, made or delivered under Section 2.5(b), notwithstanding that the person by whom it is sent may be required to follow up with a fax or hard copy under Section 2.5(a); and

(d) in English.

3. COMPLIANCE PROVISIONS

3.1 Approved Credit Rating

If and for so long as the long term unguaranteed, unsecured and unsubordinated debt of a Counterparty is rated BBB or higher by S&P and/or BBB or higher by Fitch and/or Baa2 or higher by Moodys (each an "**Approved Credit Rating**"), then such Approved Credit Rating shall exempt the Counterparty from any requirement to provide Security Cover under this Policy.

A Counterparty shall provide the Transporter with such information as the Transporter may reasonably require in order to satisfy itself that the Counterparty has an Approved Credit Rating. Such information may include the Counterparty's company registration number, details of its jurisdiction of incorporation, certified copies of letters from any relevant credit rating agency and any other information that the Transporter may

reasonably require in order to carry out an independent verification of any claim on the part of a Counterparty to have an Approved Credit Rating.

If the long term unguaranteed, unsecured and unsubordinated debt of a Counterparty is rated with an Approved Credit Rating and such credit rating is subsequently downgraded to less than the Approved Credit Rating or withdrawn, the Counterparty must immediately notify the Transporter of any such downgrade or withdrawal, including giving details of its revised credit rating (if any) and certified copies of any correspondence with any relevant credit rating agency. If a Counterparty ceases to have at least one Approved Credit Rating, then such Counterparty must, by 5pm on the tenth (10th) Business Day of it so ceasing, provide Security Cover in accordance with this Policy in respect of the applicable Total Required Security Cover Amount.

3.2 **Security Cover**

If the long term unguaranteed, unsecured and unsubordinated debt of a Counterparty is rated with less than an Approved Credit Rating or is not rated, the Counterparty must provide for the benefit of the Transporter and maintain Security Cover in respect of the Total Required Security Cover Amount, which may be comprised of one or more of the following instruments:

(a) **Letter of Credit**

- (i) subject to Section 3.2(a)(ii) below, an irrevocable standby letter of credit in or substantially in the form attached at Appendix 1, or in such other form as may be acceptable to the Transporter (a “**Letter of Credit**”) issued for the account of the Counterparty in favour of the Transporter which Letter of Credit shall allow for partial drawings, if necessary, and shall provide for payment to the Transporter forthwith on demand and shall be issued either by:
 - (A) a Bank with long term unguaranteed, unsecured and unsubordinated debt rated at least BBB- by S&P and/or Baa3 by Moodys and/or BBB- by Fitch, or
 - (B) a duly authorised subsidiary of a Bank (the “**Parent**”) provided that the Parent provides a guarantee in respect of the obligations of such subsidiary under the relevant Letter of Credit in a form and substance satisfactory to the Transporter and provided further that the Parent has long term unguaranteed, unsecured and unsubordinated debt rated at least A- by S&P and/or A3 by Moody’s and/or A- by Fitch.
- (ii) for Large New Connections only, where:
 - (A) the Required Security Cover Amount is less than or equal to €1,000,000;
 - (B) the Transporter has given its prior written approval; and
 - (C) the connecting party so requests,

a Letter of Credit issued for the account of the Counterparty in favour of the Transporter which Letter of Credit shall allow for partial drawings, if necessary, and shall provide for payment to the Transporter forthwith on demand and shall be issued by a Bank with long term unguaranteed, unsecured and unsubordinated debt rated at least BBB by S&P and/or Baa2 by Moody's and/or BBB by Fitch which has total balance sheet assets of not less than €1,000 million (or equivalent in other currencies).

(b) **Term Cash Deposit**

A cash deposit in an interest bearing bank deposit account specified by (and in the name of) the Transporter where interest on the amount deposited will accrue for the benefit of the Counterparty at market related rates of interest after deduction for any tax or bank charges. The money standing to the credit of such an account (a "**Term Cash Deposit**") is to be held by way of Security Cover pursuant to an agreement (a "**Term Deposit Agreement**") that will allow sums due and payable from time to time by the Counterparty pursuant to an Agreement and/or the Code to be satisfied from the Term Cash Deposit upon direction from the Transporter (a pro-forma Term Deposit Agreement that is acceptable to the Transporter has been attached as Appendix 2). The Term Deposit Agreement will provide that a Counterparty shall not be entitled to require the Transporter to withdraw monies from the relevant interest bearing account for repayment to the Counterparty where the remaining balance in the relevant account following such withdrawal would be less than the aggregate amount of Term Cash Deposits made by the Counterparty in the previous 12 months.

(c) **Demand Cash Deposit**

A cash deposit in an account specified by (and in the name of) the Transporter where no interest on the amount deposited will accrue for the benefit of the Counterparty (save that it is acknowledged for the avoidance of doubt that the account bank may apply negative interest rates, tax and bank charges, in respect of which the Transporter shall have no liability) and where the relevant Counterparty shall be entitled to deposit or require the Transporter to withdraw monies from the relevant account for repayment to the Counterparty at any time (subject to such Counterparty continuing to satisfy its obligation to provide Security Cover to the Transporter in the applicable Total Required Security Cover Amount at all times). The money standing to the credit of such an account (a "**Demand Cash Deposit**") is to be held by way of Security Cover pursuant to an agreement (a "**Demand Deposit Agreement**") that will allow sums due and payable from time to time by the Counterparty pursuant to an Agreement and/or the Code to be satisfied from the Demand Cash Deposit upon direction from the Transporter (a pro-forma Demand Deposit Agreement that is acceptable to the Transporter has been attached as Appendix 3).

(d) **Qualifying Guarantee**

A guarantee for the payment of all monies due to the Transporter under the Agreement and/or the Code and all costs reasonably incurred in order to recover such monies in accordance with the guarantee, which guarantee shall be in or substantially in the form attached at Appendix 4, or in such other form as may be

acceptable to the Transporter (a “**Qualifying Guarantee**”) and which is issued in favour of the Transporter by an entity whose long term unguaranteed, unsecured and unsubordinated debt has an Approved Credit Rating.

(e) **Charged Account**

An interest bearing deposit account with a Bank acting through a headquarters or a branch in Ireland that satisfies the criteria outlined in Section 3.2.1 (a)(i)(A) to which money has been credited and which account is charged by way of Account Charge for any amount becoming due to the Transporter and from which funds may be released to the Transporter on Demand to discharge sums due and payable from time to time to the Transporter pursuant to an Agreement and/or the Code (a “**Charged Account**”) (a pro-forma Account Charge which is acceptable to the Transporter has been attached as Appendix 5);

(f) **Other**

Such other form of security as is acceptable to the Transporter and approved by the Commission.

3.3 **Approval Process**

Counterparties and the Transporter shall adhere to the following procedure in tendering and approving proposed Security Cover.

(a) **Letter of Credit**

Where a Counterparty proposes to provide a Letter of Credit as Security Cover, the Counterparty shall provide the proposed form of Letter of Credit to the Transporter in advance of issue and the Transporter will review the proposed form of Letter of Credit and verify that such Letter of Credit will be issued by an entity which meets one of the criteria specified in Section 3.2(a)(i)(A) or (B) or Section 3.2(a)(ii) as the case may be. If the Transporter is satisfied with the proposed form of Letter of Credit and has so verified the issuer thereof, the Transporter shall approve the proposed form of Letter of Credit and shall confirm such approval to the Counterparty.

The Counterparty shall thereupon immediately arrange for the issue of the Letter of Credit.

Where a subsisting a Letter of Credit provided by a Counterparty as Security Cover is due to expire the Counterparty shall ensure that a new Letter of Credit, effective as of the expiry date of the subsisting Letter of Credit, is provided to the Transporter not less than fifteen (15) Business Days prior to the expiry date of the subsisting Letter of Credit. Alternatively, a Counterparty may provided it has given no fewer than fifteen (15) Business Days prior notice in writing to the Transporter provide alternative Security Cover in accordance with this Policy which must be effective no later than the expiry date of the relevant Letter of Credit.

Subject to Section 3.3(f) below, a Letter of Credit shall be deemed to be received by the Transporter on the date that the original signed copy of the Letter of

Credit is received by the Transporter from an issuer which meets the applicable criteria specified in Section 3.2(a)(i)(A) or (B) or Section 3.2(a)(ii) as the case may be, in a form previously approved by the Transporter.

(b) **Term Cash Deposit**

Where a Counterparty proposes to provide a Term Cash Deposit as Security Cover the Counterparty shall provide to the Transporter the proposed Term Deposit Agreement together with details of the amount of the proposed Term Cash Deposit. The Transporter shall review the Term Deposit Agreement and the amount of the proposed Term Cash Deposit and if the Transporter is satisfied with the proposed Term Cash Deposit and Term Deposit Agreement the Transporter shall approve the proposed form of Term Deposit Agreement and Term Cash Deposit and shall confirm such approval to the Counterparty and shall provide the Counterparty with details of the account into which the Term Cash Deposit is to be paid.

The Counterparty shall thereupon immediately arrange for the execution and delivery to the Transporter of the Term Deposit Agreement and payment of the Term Cash Deposit into the specified account.

The Counterparty will be deemed to have provided a Term Cash Deposit by way of Security Cover when:

- (i) the date that the sum of money equal to the proposed Term Cash Deposit is deposited to an acceptable account as a Term Cash Deposit; and
- (ii) an executed Term Deposit Agreement has been delivered to the Transporter in the form previously approved by the Transporter.

(c) **Demand Cash Deposit**

Where a Counterparty proposes to provide a Demand Cash Deposit as Security Cover the Counterparty shall provide to the Transporter the proposed Demand Deposit Agreement together with details of the amount of the proposed Demand Cash Deposit. The Transporter shall review the Demand Deposit Agreement and the amount of the proposed Demand Cash Deposit and if the Transporter is satisfied with the proposed Demand Cash Deposit and Demand Deposit Agreement the Transporter shall approve the proposed form of Demand Deposit Agreement and Demand Cash Deposit and shall confirm such approval to the Counterparty and shall provide the Counterparty with details of the account into which the Demand Cash Deposit is to be paid.

The Counterparty shall thereupon immediately arrange for the execution and delivery to the Transporter of the Demand Deposit Agreement and payment of the Demand Cash Deposit into the specified account.

The Counterparty will be deemed to have provided a Demand Cash Deposit by way of Security Cover when:

- (i) the date that the sum of money equal to the proposed Demand Cash Deposit is deposited to an acceptable account as a Demand Cash Deposit; and
- (ii) an executed Demand Deposit Agreement is delivered to the Transporter in the form previously approved by the Transporter.

(d) **Qualifying Guarantee**

Where a Counterparty proposes to provide a Qualifying Guarantee as Security Cover, the Counterparty shall provide the proposed form of Qualifying Guarantee to the Transporter in advance of issue along with evidence that the entity providing such a guarantee has an Approved Credit Rating. The Transporter will review the proposed form of Qualifying Guarantee and verify that the entity providing such Qualifying Guarantee has an Approved Credit Rating. If the Transporter is satisfied with the proposed form of Qualifying Guarantee and has so verified the issuer thereof, the Transporter shall approve the proposed form of Qualifying Guarantee and shall confirm such approval to the Counterparty.

The Counterparty shall thereupon immediately arrange for the issue of two (2) signed copies of the Qualifying Guarantee and send to the Transporter the two (2) signed original copies of the Qualifying Guarantee. The Transporter shall review the documents sent to it and, if satisfied, counter-sign the Qualifying Guarantee. The Transporter shall then return a copy to the applicant Counterparty.

Subject to Section 3.3(f) below, the Counterparty will be deemed to have provided Security Cover by a Qualifying Guarantee on the date that the original signed copies of the Qualifying Guarantee are received by the Transporter from an entity which has an Approved Credit Rating in a form previously approved by the Transporter.

(e) **Charged Account**

Where the Counterparty proposes to provide a Charged Account the Counterparty shall provide to the Transporter the proposed form of Account Charge together with details of the Charged Account which shall be with a Bank or other entity acting through a headquarters or a branch in Ireland which satisfies the criteria in Section 3.2.1(a)(i)(A). If the Transporter is satisfied with the proposed form of Account Charge and Charged Account (including form of bank mandates in respect of such Charged Account) the Transporter shall approve the proposed form of Account Charge and Charged Account and shall confirm such approval to the Counterparty. The Counterparty shall deliver to the Transporter two (2) signed original hard copies of the Account Charge (including two (2) signed original hard copies of the forms of notice and acknowledgement and acknowledgement to the Transporter referred to therein) copies of the relevant mandates in respect of the Charged Account and evidence of the amount credited to such Charged Account.

Subject to Section 3.3(f) below, a Counterparty shall be deemed to have provided Security Cover by way of Charged Account on the date of receipt by the

Transporter of the duly executed Account Charge (in a form as previously approved by the Transporter) together with the original forms of notice and acknowledgement referred to therein, and evidence of deposit of requisite moneys to the Charged Account.

(f) **Additional Requirements**

The Transporter may, at its sole discretion, require a certificate from a director of a Counterparty that has entered into an Account Charge or a director of an entity that has issued a Qualifying Guarantee or a Letter of Credit, in the form set out in Appendix 6 and, if so requested, the Counterparty shall deliver such certificate to the Transporter within 10 Business Days of the request.

A legal opinion in the form set out in Appendix 7 and from lawyers (other than the Counterparty's in-house lawyers) qualified in the laws of the place of incorporation of a Counterparty that has entered into an Account Charge and/or the entity that has issued a Qualifying Guarantee or a Letter of Credit shall be delivered, at the cost of the Counterparty, to the Transporter where:

- (i) the Security Cover to be provided is comprised of a Qualifying Guarantee, Letter of Credit or Charged Account; and
- (ii) the entity that has issued a Qualifying Guarantee or a Letter of Credit or the Counterparty that has entered into an Account Charge (as the case may be) is not incorporated under the laws of Ireland.

The Counterparty shall, at its own cost, deliver to the Transporter such evidence as the Transporter may require of the acceptance of such appointment by any person named in any Qualifying Guarantee, Term Deposit Agreement or Demand Deposit Agreement or any other document constituting or evidencing Security Cover as agent of the Counterparty or guarantor, as applicable, for the service of process in relation to any proceedings before the Irish courts.

(g) **Other**

Where the Transporter with the approval of the Commission has agreed to accept some other form of Security Cover, the procedure to be followed by the Counterparty and the Transporter in approving the form of such Security Cover shall be specified by the Transporter to the Counterparty at the relevant time.

The Transporter shall notify the applicant Counterparty, when the applicant Counterparty has successfully complied with all the relevant Security Cover provisions.

3.4 **Perfection of Security**

The Counterparty shall, at its own cost, deliver to the Transporter any and all documents evidencing the perfection of any security created pursuant to this Policy.

3.5 **Changes to forms of Security Cover**

The Transporter's requirements with respect to the form and content of Letters of Credit, Term Deposit Agreements, Demand Deposit Agreements, Qualifying Guarantees, Account Charges and for documents governing or evidencing other forms of Security Cover (together, the "**Security Documents**") may change over time to reflect, amongst other things, changes in applicable law and regulation and market practice. Where such changes are material the Transporter will issue the changed pro-forma document(s) to the Commission for review.

Subject to Commission approval, the Transporter may require Counterparties to amend or procure the amendment of the Security Cover provided by them. The Transporter, where appropriate, will advise all relevant parties in advance of any required amendments and the time available to the Counterparty to comply therewith.

Where the Transporter's requirements with respect to the form and content of Security Documents change, the Transporter will notify the Commission of such changes and, where appropriate, publish new Appendices to this Policy to reflect its changed requirements.

3.6 **Compliance with Policy**

A Counterparty shall be deemed to be in compliance with such Counterparty's obligations to comply with this Policy from time to time when and for so long as such Counterparty shall have provided to the Transporter and maintains Security Cover in the Total Required Security Cover Amount (as same may be recalculated from time to time) and is otherwise in compliance with its obligations hereunder.

3.7 **Notification of Required Security Cover Amounts**

The Transporter will notify each Counterparty of each applicable Required Security Cover Amount as determined in accordance with Section 6.

The Counterparty may request the Transporter to provide an updated calculation of any applicable Required Security Cover Amount for which purpose the Counterparty must provide all relevant information to the Transporter.

4. **SITWORKS**

The provision of Security Cover is required from Counterparties requiring Large New Connections and/or Connection Siteworks and/or Operational Siteworks Services in addition to Security Cover for Capacity Bookings and Use of the Transmission and Distribution Systems. Calculation of the applicable Required Security Cover Amount required is set out in full in Section 6.

4.1 **Large New Connections**

The Required Security Cover Amount required for a Large New Connection will be determined in accordance with the Connections Policy.

4.2 **Connection Siteworks**

“**Connection Siteworks**” are activities outlined in the Siteworks Charges Document and which may be undertaken by the Transporter pursuant to the Shippers Connection Siteworks Agreement at the request of the Counterparty.

The Required Security Cover Amount required for Connection Siteworks will be determined by the Transporter and notified to the Counterparty.

4.3 **Operational Siteworks Services**

“**Operational Siteworks Services**” are activities outlined in the Siteworks Charges Document and which may be undertaken by the Transporter pursuant to the Shippers Operational Siteworks Services Agreement at the request of the Counterparty.

The Required Security Cover Amount required for Operational Siteworks Services will be determined by the Transporter and notified to the Counterparty.

5. **PROVISION OF SECURITY COVER**

5.1 Counterparties shall provide Security Cover at the times described in this Section 5.

5.2 **Annual and Quarterly IP Capacity products**

- (a) The provision of Security Cover by a Counterparty shall not be required for a Counterparty to participate in an IP Capacity Auction for Yearly Capacity and Quarterly Capacity.
- (b) However, if successful at such an IP Capacity Auction, a Counterparty shall provide Security Cover for the Yearly Capacity or Quarterly Capacity (as applicable) prior to the relevant Capacity Booking Effective Date of such Yearly Capacity or Quarterly Capacity (as applicable) as set out below.
- (c) The Transporter will notify a Counterparty of the requirement to provide Security Cover in the applicable Required Security Cover Amount in respect of Yearly Capacity or Quarterly Capacity (as applicable) no fewer than two months prior to the relevant Capacity Booking Effective Date of such Yearly Capacity or Quarterly Capacity (as applicable).
- (d) The Counterparty shall provide the Security Cover in the applicable Required Security Cover Amount for such Yearly Capacity or Quarterly Capacity (as applicable) no later than 10 Business Days prior to the day on which an IP Capacity Auction for Monthly Capacity which has the same Capacity Booking Effective Date as the relevant Yearly Capacity or Quarterly Capacity (as applicable) takes place.

- (e) If a Counterparty does not provide Security Cover in the applicable Required Security Cover Amount for such Yearly Capacity or Quarterly Capacity (as applicable) at the time required, the Transporter:
 - (i) may issue a Transporter's Specific Termination Notice to the relevant Counterparty and enter such Yearly Capacity or Quarterly Capacity (as the case may be) in an IP Capacity Auction for Monthly Capacity having the same Capacity Booking Effective Date as the Yearly Capacity or Quarterly Capacity (as applicable) was due to have; and
 - (ii) may charge a late compliance fee or non-compliance fee in accordance with terms of the Code and/or Section 7.5 to the relevant Counterparty and/or impose such other penalty as may be deemed appropriate by the Commission.
- (f) Security Cover in the applicable Required Security Cover Amount must be maintained by the Counterparty for the entire period of the Yearly Capacity or Quarterly Capacity (as applicable).

5.3 **Monthly and Daily IP Capacity products**

- (a) A Counterparty must provide Security Cover in the applicable Required Security Cover Amount for Monthly Capacity, Daily Capacity and Within-Day Capacity in advance of IP Capacity Auctions for Monthly Capacity, Daily Capacity and Within-Day Capacity (as the case may be) in order for that Counterparty to participate in such IP Capacity Auctions.
- (b) Security Cover provided by a Counterparty for Monthly Capacity, Daily Capacity and Within-Day Capacity must be maintained in the applicable Required Security Cover Amount for no less than 86 calendar days (or such other period as may be notified by the Transporter to that Counterparty).
- (c) If a Counterparty does not provide Security Cover in the applicable Required Security Cover Amount at the time of the IP Capacity Auction for Monthly Capacity, Daily Capacity or Within-Day Capacity (as the case may be), that Counterparty's bids in the relevant IP Capacity Auction will be automatically rejected by the Transporter.

5.4 **Booking Non-IP Capacity**

- (a) The provision of Security Cover will not be required for a Counterparty to book Non-IP Capacity other than Daily Entry Capacity and Daily Exit Capacity.
- (b) A Counterparty shall provide Security Cover in the applicable Required Security Cover Amount at the time of booking of Daily Entry Capacity and Daily Exit Capacity.
- (c) Other than in the case of a booking of Daily Entry Capacity and Daily Exit Capacity, Counterparties shall provide Security Cover in the relevant Required Security Cover Amount no fewer than 8 calendar days prior to the Capacity Booking Effective Date of any Non-IP Capacity.

5.5 GTMS and the Joint Booking Platform

- (a) A Counterparty shall be able to review its Total Posted Security Cover Amount and any Excess Amount, in each case using GTMS.
- (b) A Counterparty shall be entitled to allocate portions of its Total Posted Security Cover Amount to its obligations to provide Security Cover in respect of (i) IP Capacity (such allocated portion being the “**IP Posted Amount**”) and (ii) Non-IP Capacity (including any additional amounts referred to in Section 4) (such allocated portion being the “**Non-IP Posted Amount**”), respectively. Counterparties may effect and change such allocations through GTMS, subject as provided below.
- (c) The IP Posted Amount shall not at any time be less than the total aggregate Required Security Cover Amount for IP Capacity specified in section 6.2(r).
- (d) The Non-IP Posted Amount shall not at any time be less than the total aggregate Required Security Cover Amount for Non-IP Capacity specified in section 6.2(q).
- (e) Where a Counterparty requests that a specified Posted Security Cover Amount be allocated as an IP Posted Amount or a Non-IP Posted Amount (as the case may be), the Excess Amount shall be calculated and the lower amount of the Excess Amount and the specified Posted Security Cover Amount to be allocated as an IP Posted Amount or Non-IP Posted Amount (as applicable) shall be allocated as requested.
- (f) Where the Excess Amount, IP Posted Amount or Non-IP Posted Amount (as applicable) is not sufficient to meet a Counterparty’s obligations to provide Security Cover in the Required Security Cover Amount for its obligations in respect of IP Capacity and/or Non-IP Capacity (including any additional amounts referred to in Section 4) (as the case may be), such Counterparty shall provide additional Security Cover to the Transporter so that its requirement to provide Security Cover in the relevant Required Security Cover Amount in respect of such Capacity is satisfied.
- (g) Where a Demand is made by the Transporter on a Counterparty, the IP Posted Amount shall be applied in the first instance to pay amounts due in respect of that Counterparty’s obligations under this Policy which relate to IP Capacity (if any).
- (h) Where a Demand is made by the Transporter on a Counterparty, the Non-IP Posted Amount shall be applied in the first instance to pay amounts due in respect of that Counterparty’s obligations under this Policy relating to Non-IP Capacity (including any additional amounts referred to in Section 4), if any.
- (i) Where the IP Posted Amount exceeds the amount of the Demand relating to that Counterparty’s obligations in respect of IP Capacity, the excess amount of the IP Posted Amount may be applied to meet such Counterparty’s obligations in respect of Non-IP Capacity, but only where the Non-IP Posted Amount is insufficient to meet the Counterparty’s payment obligations under a Demand relating to that Counterparty’s obligations in respect of Non-IP Capacity (including any additional amounts referred to in Section 4).

- (j) Where the Non-IP Posted Amount exceeds the amount of the Demand relating to that Counterparty's obligations in respect of Non-IP Capacity (including any additional amounts referred to in Section 4), the excess amount of the Non-IP Amount may be applied to meet such Counterparty's obligations in respect of IP Capacity, where the IP Posted Amount is insufficient to meet the Counterparty's payment obligations under a Demand relating to that Counterparty's obligations in respect of IP Capacity.
- (k) The Transporter shall notify a Counterparty via an automated message sent through GTMS if at any time the Total Required Security Cover Amount exceeds 80% of the amount of the Total Posted Security Cover Amount.
- (l) If the Total Required Security Cover Amount is equal to or greater than the Total Posted Security Cover Amount, the Transporter shall send a notice to such Counterparty requiring such Counterparty to provide additional Security Cover. The Counterparty shall have 3 Business Days to provide such additional Security Cover and shall, notwithstanding the other provisions of this Policy, be allowed to book Non-IP Capacity and participate in IP Capacity Auctions without providing such additional Security Cover during this period.

6. REQUIRED SECURITY COVER AMOUNT

6.1 Overview

The Required Security Cover Amount for Long Term Entry Capacity, Long Term Exit Capacity, Supply Point Capacity and Commodity Charges for Long Term Bookings applicable to a Counterparty at any time is based on seventy-two (72) calendar days' worth of Capacity Charges, Commodity Charges and VAT as appropriate for Use of the Transmission and Distribution Systems and provisions for Siteworks and/or NDM Change of Shipper Cover (to allow for overnight switching) and/or Large New Connections (as appropriate). The Required Security Cover Amount for Short Term Entry Capacity and Short Term Exit Capacity applicable to a Counterparty is based on the full Capacity charge as appropriate for the relevant Capacity booking.

The Required Security Cover Amount for Yearly Capacity and Quarterly Capacity at any time is based on seventy-two (72) calendar days' worth of IP Capacity Charges, IP Commodity Charges and VAT. The Required Security Cover Amount for Monthly Capacity is based on IP Capacity Charges for the relevant month, IP Commodity Charges and VAT. The Required Security Cover Amount for Daily Capacity and Within-Day Capacity is one day of IP Capacity Charges, IP Commodity Charges and VAT. The Required Security Cover Amount for Daily Interruptible IP Capacity and Within Day Interruptible IP Capacity is one day of Interruptible Capacity Charges and Interruptible IP Commodity Charges and VAT.

6.2 Calculation of Required Security Cover Amounts

The Transporter shall calculate the Required Security Cover Amount as follows:

- (a) Long Term Entry Capacity Cover is calculated as follows:

$$\text{Long Term} = \left(\sum \text{Entry Capacity} * \text{Capacity component} * \frac{72}{\text{Days in}} \right) +$$

Entry Capacity Cover = (Bookings of the Entry Tariff of the Year) + VAT

(b) Daily Entry Capacity Cover is calculated as follows:

Daily Entry Capacity Cover = (Entry Capacity Booking * Capacity component of the Entry Tariff * Relevant Daily Multiplier) + VAT

(c) Monthly Entry Capacity Cover is calculated as follows:

Monthly Entry Capacity Cover = (Entry Capacity Booking * Capacity component of the Entry Tariff * Relevant Daily Multiplier) + VAT

(d) Long Term Exit Capacity Cover is calculated as follows:

Long Term Exit Capacity Cover = (\sum Exit Capacity Bookings * Capacity component of the Exit Tariff * $\frac{72}{\text{Days in Year}}$) + VAT

(e) Daily Exit Capacity Cover is calculated as follows:

Daily Exit Capacity Cover = (Exit Capacity Booking * Capacity component of the Exit Tariff * Relevant Daily Multiplier) + VAT

(f) Monthly Exit Capacity Cover is calculated as follows:

Monthly Exit Capacity Cover = (Exit Capacity Booking * Capacity component of the Exit Tariff * Relevant Daily Multiplier) + VAT

(g) Supply Point Capacity Cover is calculated as follows:

Supply Point Capacity = (\sum Supply Point Capacity * Capacity component of the Distribution * $\frac{72}{\text{Days in Year}}$) + VAT

Cover Bookings Tariff

(h) Yearly Capacity Cover is calculated as follows:

$$\text{Yearly Capacity Cover} = \left(\sum \frac{\text{Capacity Bookings}}{\text{Capacity component of the Entry Tariff/Exit Tariff}} * \frac{72}{\text{Days in Year}} \right) + \text{VAT}$$

(i) Quarterly Capacity Cover is calculated as follows:

$$\text{Quarterly Capacity Cover} = \left(\sum \frac{\text{Capacity Bookings}}{\text{Capacity component of the Entry Tariff/Exit Tariff}} * \frac{72}{\text{Days in Quarter}} \right) + \text{VAT}$$

(j) Monthly Capacity Cover is calculated as follows:

$$\text{Monthly Capacity Cover} = \left(\frac{\text{Capacity Booking}}{\text{Capacity component of the Entry Tariff/Exit Tariff}} * \text{Relevant Daily Multiplier} \right) + \text{VAT}$$

(k) Daily Capacity Cover is calculated as follows:

$$\text{Daily Capacity Cover} = \left(\frac{\text{Capacity Booking}}{\text{Capacity component of the Entry Tariff/Exit Tariff}} * \text{Relevant Daily Multiplier} \right) + \text{VAT}$$

(l) Within-Day Capacity Cover is calculated as follows:

$$\text{Within Day Capacity Cover} = \left(\frac{\text{Capacity Booking}}{\text{Capacity component of the Entry Tariff}} * \text{Relevant Daily Multiplier} \right) + \text{VAT}$$

(m) Commodity Cover is calculated as follows:

- (i) where the Counterparty has at least six (6) continuous months worth of historical data for Entry and/or Exit and/or Supply Point Commodity Charges:

Total Commodity Cover =

$$\left(\frac{\sum \text{Entry Commodity Charges}}{X} * 72 \right) + \text{VAT}$$

plus

$$\left(\frac{\sum \text{Exit Commodity Charges}}{X} * 72 \right) + \text{VAT}$$

plus

$$\left(\frac{\sum \text{Supply Point Commodity Charges}}{X} * 72 \right) + \text{VAT}$$

Where "X" equals 365 (or 366) calendar days where 12 months historical data is available or such lesser number of days in respect of which historical data is available (being not less than 183 days) where twelve (12) months' historical data is not available.

- (ii) where the Counterparty is a new entrant to the market, until such time as the Counterparty has six (6) months' historical data available Commodity Cover is calculated as follows:

$$\text{Total Commodity Cover for Long Term Bookings} = \left(\frac{\sum \text{Capacity Bookings}}{\text{Capacity component of the Tariff}} * \frac{72}{\text{Days in Year}} \right) * (1 + \text{Percentage Default}) + \text{VAT}$$

$$\text{Total Commodity Cover for Monthly Bookings} = \left(\frac{\text{Entry and Exit Monthly Capacity Bookings}}{\text{Capacity component of the Tariff}} * \text{Relevant Monthly Multiplier} \right) * (1 + \text{Percentage Default}) + \text{VAT}$$

Where the Percentage Default is equal to 0.15 (15%).

(n) NDM Change of Shipper Cover:

Where a Counterparty is active in the NDM market the Counterparty will be required to provide additional Security Cover in a minimum amount of Fifteen Thousand Euro (€15,000). The Transporter may increase the amount of such additional Security Cover as it deems necessary based on review of the Counterparty's level of activity in such market.

For the avoidance of doubt, such additional Security Cover is in addition to the Supply Point Capacity Cover provided by the Counterparty for its existing NDM Supply Point Capacity and all other Security Cover required in accordance with this Policy.

(o) Connection Siteworks Cover:

Where a Counterparty engages in Connection Siteworks, the Counterparty will be required to provide additional Security Cover in a minimum amount of Five Thousand Euro (€5,000). The Transporter may increase the amount of such Security Cover as it deems necessary based on review of the Counterparty's level of Connection Siteworks activity.

(p) Operational Siteworks Services Cover:

Where a Counterparty engages in Operational Siteworks Services, the Counterparty will be required to provide additional Security Cover in a minimum amount of Five Thousand Euro (€5,000). The Transporter may increase the amount of such Security Cover as it deems necessary based on review of the Counterparty's level of Operational Siteworks Services activity.

(q) Total Required Security Cover Amount for Non-IP Capacity:

Required Security Cover Amount	= \sum Entry Capacity Cover	+ \sum Exit Capacity Cover	+ \sum Supply Point Capacity Cover	+ Total Commodity Cover	+ \diamond NDM Change of Shipper Cover
	+ \diamond Operational Siteworks Cover				
	+ \diamond Connection Siteworks Cover				
	+ \diamond Large New Connections Cover				

Where:

\diamond means where appropriate to the Counterparty

(r) Total Required Security Cover Amount for IP Capacity:

$$\begin{array}{l} \text{Required} \\ \text{Security} \\ \text{Cover} \\ \text{Amount} \end{array} = \sum \text{IP Entry Capacity Cover} + \sum \text{IP Exit Capacity Cover}$$

VAT (Value Added Tax)

Value Added tax is applied at current rates. For those Counterparties exempt from Value Added Tax (VAT) the provision of Security Cover shall be the net amount as calculated in Section 6.2 exclusive of VAT.

6.3 Notification of Required Security Cover Amount

The Transporter will issue a notice (a “**Security Cover Notice**”) to an applicant Counterparty containing the details of the applicable Required Security Cover Amount and the calculations used to determine this amount.

7. REVIEW OF REQUIRED SECURITY COVER AMOUNT

7.1 Review Time Scale

(a) All sites

The Total Required Security Cover Amount in respect of which Security Cover is required to be provided by a Counterparty may, if deemed appropriate by the Transporter, be reviewed on a monthly basis and in any event will be reviewed annually. The existing Total Required Security Cover Amount shall be compared against the Total Required Security Cover Amount that would be applicable based on new or revised capacity bookings, IP Capacity Auctions, Change of Shipper and/or Siteworks and/or Large New Connections.

(b) Large New Connections

The Required Security Cover Amount provided by Counterparties in relation to Large New Connections may be reviewed on a monthly and/or yearly basis and/or upon a revision of the estimated cost of the project. The existing Required Security Cover Amount shall be compared against the Required Security Cover Amount that would be applicable based on any revision and/or payment to date and/or completion of a phase of the project as set out in the Connections Policy.

The Transporter will issue either a Security Cover Increase Notice or Security Cover Decrease Notice to a Counterparty where the Total Posted Security Cover Amount is not the same as Total Required Security Cover Amount based on new or revised capacity bookings and/or Change of Shipper, and/or Large New Connections and/or Siteworks.

7.2 Security Cover Increase Notice

If a Counterparty’s Total Posted Security Cover Amount (after reducing the amount by the Demands made) is less than the Total Required Security Cover Amount applicable to such Counterparty upon a recalculation of such Total Required Security Cover Amount in accordance with Section 6, the Transporter shall notify the Counterparty in writing (a

“**Security Cover Increase Notice**”) of the applicable recalculated Total Required Security Cover Amount and the Security Cover Increase Amount.

The Counterparty shall forthwith procure that the Transporter receives the necessary additional Security Cover in respect of the increased Total Required Security Cover Amount by 5pm on the tenth (10th) Business Day after the date of issue of a Security Cover Increase Notice, as follows:

(a) **Letter of Credit**

The Counterparty may procure the issue of a new Letter of Credit for an amount equal to the new Total Required Security Cover Amount or an additional Letter of Credit for an amount equal to the Security Cover Increase Amount from an entity that satisfies one of the criteria set out in Section 3.2(a)(i)(A) or (B) or Section 3.2(a)(ii) as the case may be and shall follow the procedures specified in Section 3.3 for issue of that Letter of Credit unless the Letter of Credit is in terms identical (except with respect to amount) to one being relied upon as Security Cover, when the Counterparty may arrange for issue without prior approval of the Transporter.

(b) **Term Cash Deposit Option**

The Counterparty may make a Term Cash Deposit equal to the Security Cover Increase Amount to a cash deposit account designated by the Transporter that is being used as Security Cover, provide evidence of such Term Cash Deposit to the Transporter and sign an appendix to the Term Deposit Agreement specifying the new amount or such other documentation as may be reasonably required by the Transporter to ensure that the Term Deposit Agreement extends to and includes the deposit of the Security Cover Increase Amount.

(c) **Demand Cash Deposit Option**

The Counterparty may make a Demand Cash Deposit equal to the Security Cover Increase Amount to a cash deposit account designated by the Transporter that is being used as Security Cover, provide evidence of such Demand Cash Deposit to the Transporter and sign an appendix to the Demand Deposit Agreement specifying the new amount or such other documentation as may be reasonably required by the Transporter to ensure that the Demand Deposit Agreement extends to and includes the deposit of the Security Cover Increase Amount.

(d) **Qualifying Guarantee**

The Counterparty may provide an acknowledgement by the issuer of a Qualifying Guarantee that the Qualifying Guarantee being relied upon as Security Cover covers any increase in liability of the Counterparty resulting from the recalculation of the Total Required Security Cover Amount.

(e) **Charged Account**

The Counterparty may make a deposit of the Security Cover Increase Amount to a Charged Account that is being used as Security Cover and provide evidence of

the account balance in such Charged Account together with such other documentation as may be necessary to ensure that the Account Charge extends to and applies to such increased balance to reflect the new amount.

(f) **Other**

The Counterparty may provide such additional cover for the Security Cover Increase Amount by such other means as shall be acceptable to the Transporter with approval from the Commission, within the timeframe allowed.

For the avoidance of doubt, the Counterparty may provide Security Cover for the Security Cover Increase Amount by a combination of options available under Sections 7.2(a) to 7.2(f).

7.3 **Security Cover Decrease Notice**

If a Counterparty's Total Posted Security Cover Amount (after reducing the amount by the Demands made) is greater than the Total Required Security Cover Amount applicable to such Counterparty upon a recalculation of such Total Required Security Cover Amount in accordance with Section 6, the Transporter shall notify the Counterparty in writing (a "**Security Cover Decrease Notice**") of the applicable recalculated Total Required Security Cover Amount and the Security Cover Decrease Amount.

The Counterparty shall be entitled to request the Transporter to review such Counterparty's existing Security Cover as follows:

(a) **Letter of Credit**

Where a Letter of Credit has been provided as Security Cover, the Transporter shall notify the Counterparty that the maximum liability under the Letter of Credit may be reduced by the Security Cover Decrease Amount and, if requested by the Counterparty, return the original Letter of Credit to the issuer upon receipt of a new Letter of Credit from the issuer in the same terms (except reduced in amount by the Security Cover Decrease Amount) as the original; or

(b) **Term Cash Deposit**

Where a Term Cash Deposit has been provided as Security Cover the Counterparty may, within five (5) Business Days from the date of the Security Cover Decrease Notice, notify the Transporter that it requires repayment of part of the Term Cash Deposit provided that a Counterparty shall not be entitled to withdraw monies from the relevant account where the remaining balance in such account following such withdrawal would be less than the aggregate amount of Term Cash Deposits made by the Counterparty in the previous 12 months. Provided as aforesaid, if such notification is made, the Transporter shall have ten (10) Business Days from the date of receipt by the Transporter of such notice from the Counterparty to transfer the excesses from the Term Cash Deposit account into such bank account of the Counterparty as the Counterparty shall advise.

(c) **Demand Cash Deposit**

Where a Demand Cash Deposit has been provided as Security Cover the Counterparty may, within five (5) Business Days from the date of the Security Cover Decrease Notice, notify the Transporter that it requires repayment of part of the Demand Cash Deposit. If such notification is made, the Transporter shall have ten (10) Business Days from the date of receipt by the Transporter of such notice from the Counterparty to transfer the excesses from the Demand Cash Deposit account into such bank account of the Counterparty as the Counterparty shall advise.

(d) **Charged Account**

Where a Charged Account has been provided as Security Cover, the Counterparty shall then have five (5) Business Days, from the date of the Security Cover Decrease Notice to notify the Transporter if it wishes to reduce its Security Cover. If such notification is made, the Transporter shall have ten (10) Business Days from the date of receipt by the Transporter of such notice from the Counterparty to notify the account bank with which the Charged Account is held to transfer the excess from the Charged Account into such bank account of the Counterparty as the Counterparty shall advise.

(e) **Other**

Where some other form of Security Cover has been accepted further to Section 3.2(g), the Counterparty may, within five (5) Business Days from the date of the Security Cover Decrease Notice, notify the Transporter that it wishes to reduce its Security Cover.

7.4 Substitute and replacement Security Cover

If the issuer of a Letter of Credit provided to the Transporter as Security Cover ceases to be an entity which satisfies one of the criteria set out in Section 3.2(a)(i)(A) or (B) or Section 3.2(a)(ii) as the case may be the Counterparty shall forthwith procure the issue of a substitute Letter of Credit by an entity that satisfies one of such criteria or provide Security Cover in one of the other forms set out in Section 3.2.

If the issuer of a Qualifying Guarantee provided to the Transporter as Security Cover has its credit rating withdrawn or downgraded to less than an Approved Credit Rating, the Counterparty shall forthwith procure a replacement Qualifying Guarantee from an entity having an Approved Credit Rating, or provide Security Cover in one of the other forms contemplated by Section 3.2.

If the Security Cover provided by the Counterparty under Section 3.2(f) ceases to satisfy the Transporter and/or the Commission the Counterparty shall forthwith procure a replacement form of cover in one of the other forms contemplated by Section 3.2.

7.5 Consequences of Breach of the Financial Security Policy

(a) The consequences of breach or non-compliance by a Counterparty with this Policy at any time shall be as prescribed in the Agreement(s).

(b) In addition and without prejudice to the rights and remedies available to the Transporter pursuant to the Agreements in respect of any breach, or non-

compliance, by a Counterparty with this Policy, where this Policy has not been complied with by the Counterparty within the time specified in this Policy or any Agreement a Fee of Two Hundred and Fifty Euro (€250) per Business Day will be charged to the Counterparty until this Policy is complied with or the date the Agreement(s) terminate in accordance with the Code or the relevant Agreement(s). At the end of each month, the Transporter shall issue an invoice for the amount of such Fees accrued by the Counterparty in the preceding month. The Counterparty shall pay the Transporter the sum set out in the invoice by the Due Date in accordance with the Code.

The Transporter shall notify the Commission at the end of April and at the end of October of each year of the financial amount of these Fees collected from each Counterparty during the gas year to that date.

8. DEMANDS ON SECURITY COVER

8.1 Overview

Subject to the terms of the relevant Security Cover, the Transporter shall be entitled to make a Demand on the Security Cover provided by a Counterparty if the Counterparty has failed to pay any amount due and payable under or pursuant to the Code or any Agreement by the fifth (5th) Business Day after the Due Date thereof.

8.2 Demand on Security Cover

Subject to the minimum Demand amount specified in Section 8.3, if by 10:00 hours on the fifth (5th) Business Day after the Due Date any such payment is outstanding (in whole or in part), the Transporter may without prejudice to any other rights of the Transporter under the Code or Agreement(s) make a Demand on the Counterparty's Security Cover by issue of a notice (a "**Demand Notice**") for all or part of any amounts outstanding including any interest accruing.

(a) Letter of Credit

Where a Letter of Credit has been provided as Security Cover, the Transporter shall make a Demand in accordance with the terms thereof to the issuer thereof for payment of an amount thereunder not exceeding the aggregate amount then unpaid, including interest thereon, by the Counterparty.

(b) Term Cash Deposit

Where a Term Cash Deposit has been provided as Security Cover, the Transporter shall appropriate from the designated cash deposit account the monies owed, including interest, in accordance with the Term Deposit Agreement.

(c) Demand Cash Deposit

Where a Demand Cash Deposit has been provided as Security Cover, the Transporter shall appropriate from the designated cash deposit account the monies owed, including interest, in accordance with the Demand Deposit Agreement.

(d) **Qualifying Guarantee**

Where a Qualifying Guarantee has been provided as Security Cover, the Transporter shall make a Demand in accordance with the terms thereof to the issuer thereof for payment of an amount not exceeding the aggregate amount then unpaid by the Counterparty, including interest thereon, and instruct the Counterparty's guarantor to transfer the outstanding amount to the Transporter's account.

(e) **Charged Account**

Where a Charged Account has been provided as Security Cover, the Transporter shall be entitled to enforce the relevant Account Charge and require the relevant account bank to pay to it from the Charged Account an amount not exceeding the aggregate amount then unpaid by the Counterparty, including interest thereon.

(f) **Other**

In the case where the Transporter has accepted some other form of Security Cover, the Transporter shall take whatever action is required to draw down the monies owed (in whole or in part) including interest in accordance with the agreed arrangements.

8.3 **Minimum Demand Amount**

For outstanding amounts less than Two Thousand Five Hundred Euro (€2,500) in aggregate a Demand shall not be made on the Security Cover but interest shall accrue in accordance with the Agreements until paid. However, should an amount remain unpaid for more than 90 (ninety) calendar days and if the aggregate unpaid amount is greater than One Thousand Euro (€1,000) at the end of such 90 (ninety) day period, then a Demand shall be made on the Security Cover. Demands thereafter in respect of amounts less than One Thousand Euro (€1,000) may be made at the discretion of the Transporter.

The Transporter will calculate the interest to be charged on unpaid amounts on a monthly basis as defined under the Code or the Agreement and where the principal plus interest exceeds the minimum Demand of Two Thousand Five Hundred Euro (€2,500) then a Demand shall be made.

8.4 **Replenishment**

Following a Demand on a Counterparty's Security Cover the Counterparty shall be obliged to replenish by 5.00 pm on the fourth Business Day thereafter the Security Cover such that the Counterparty shall have provided Security Cover in respect of the applicable Total Required Security Cover Amount (after taking account of the Demand(s) made). The Transporter shall, on the Date of Demand, notify the Counterparty (the "Call Notice") of:

- (a) the fact that the Demand has been made; and
- (b) its obligation under its Agreement(s) to replenish Security Cover up to the applicable Total Required Security Cover Amount and that this replenishment

will be required by 5pm on the fourth (4th) Business Day after the date of Demand on the Security Cover.

8.5 Immediate Drawdown

The Transporter will be entitled to and will with immediate effect make a Demand on the Counterparty's Security Cover, to the value of the Counterparty's total debt exposure pursuant to the Agreements including interest, upon the occurrence of any event as specified in Part I (Legal and General) Section 4.4.2 of the Code.

8.6 Costs of Recovery

The Transporter shall be entitled to recover from a Counterparty all costs and expenses reasonably incurred by it in connection with making a Demand or otherwise enforcing its rights under such Counterparty's Security Cover. The Transporter shall be entitled to recover any such costs and expenses by making a Demand on the Counterparty's Security Cover.

9. RETURN OF SECURITY COVER

Upon termination of the Agreement(s) entered into between a Counterparty and the Transporter, any Security Cover remaining once all the Counterparty's payment obligations arising under or in connection with such Agreement(s) have been irrevocably and unconditionally discharged in full (and in the case of a Term Cash Deposit, any interest accrued, at market rates of interest, in respect of such an account, less any bank and similar charges and any taxes deducted by the bank) will be released to the Counterparty (or, in the case of a Letter of Credit or Qualifying Guarantee, to the issuer thereof) within ten (10) Business Days of the Transporter being satisfied that all such payment obligations have been irrevocably and unconditionally discharged in full.

Return of Security Cover is without prejudice to the rights of the Transporter under the Agreement(s) or the Code and does not relieve the Counterparty of any of its obligations or any liability in respect of the Agreement or the Code.

APPENDIX 1

PRO FORMA LETTER OF CREDIT

GAS NETWORKS IRELAND

POLICY NO. FS01

FINANCIAL SECURITY PACKAGE

PRO FORMA LETTER OF CREDIT

PRO FORMA LETTER OF CREDIT

(Bank name)
(Bank address)

To: [Transporter]
[address]

Date: [•]

Letter of Credit

Letter of Credit No:

[•]

Amount:

€[•]

Applicant:

[•]

Beneficiary:

[Transporter]
[address]

Terms and Conditions

Dear Sirs

At the request of the Applicant, we, [*the Issuer Bank*] in our capacity as issuer bank (the "**Issuer Bank**"), hereby issues in favour of the Beneficiary with effect from [•]/[the date hereof] (the "**Effective Date**") this unconditional and irrevocable Standby Letter of Credit No. [•] (the "**Letter of Credit**") in a maximum aggregate amount of €[•] in connection with the Agreement[s] (as defined below).

1. In this Letter of Credit (and every Demand (as defined below)), unless the context otherwise requires:

"Agreement[s]"

has the meaning given to it in the Financial Security Policy;

"Authorised Signatory"

means an officer of the Beneficiary having general authority to execute a Demand and whose name and specimen signature have been notified to the Issuer Bank by the Beneficiary before, or concurrent with, service of the Demand;

"Business Days"

means a day (other than a Saturday or Sunday) on which banks are open for general business in Dublin;

“Demand”

means a written notice of demand for payment substantially in the form set out in the Appendix to this Letter of Credit delivered by the Beneficiary in accordance with the terms of this Letter of Credit to the Issuer Bank;

“Expiry Date”

means the earlier of

- (a) [•]; and
- (b) thirty calendar days after the date on which the Beneficiary notifies the Issuer Bank that the Agreement[s] [has]/[have] terminated and that all payment obligations thereunder or arising in connection therewith owed by the Applicant to the Beneficiary have been discharged by the Applicant to the satisfaction of the Beneficiary;

“Financial Security Policy”

means the Policy [•], Financial Security Policy published by the Beneficiary from time to time and approved by the Commission for Energy Regulation; and

“Specified Amount”

means in relation to any Demand the sum specified in that Demand.

2. In consideration of the Beneficiary agreeing to accept this Letter of Credit, the Issuer Bank irrevocably, absolutely and unconditionally undertakes that it will, on receipt or deemed receipt (in accordance with the terms of this Letter of Credit) of a Demand, pay to the Beneficiary the Specified Amount, unless in so doing the maximum aggregate limit set out in paragraph 3 of this Letter of Credit would be exceeded, in which case the Issuer Bank shall pay to the Beneficiary so much of the Specified Amount as may be paid without exceeding such limit. The Issuer Bank shall give the Beneficiary notice within two (2) Business Days of receipt of any document or letter from the Beneficiary which purports to be a Demand if the Issuer Bank is of the opinion that such a document or letter does not conform with the required form of Demand as set out in this Letter of Credit or if delivery of such document or letter was not effected in accordance with the provisions of this Letter of Credit relating to delivery of a Demand, stating the reasons therefor. The Beneficiary shall be at liberty to re-deliver any such Demand or purported Demand in accordance with the provisions of this Letter of Credit. The obligation of the Issuer Bank to pay under this Letter of Credit shall be discharged in accordance with the terms of this Letter of Credit notwithstanding any protest or demand by or on behalf of the Applicant.
3. The Beneficiary may make multiple Demands under this Letter of Credit provided that the aggregate of all amounts specified for payment in all Demands and the maximum aggregate liability of the Issuer Bank under this Letter of Credit shall not exceed €[•].
4. Any payment under this Letter of Credit shall be made by the Issuer Bank forthwith upon receipt of a Demand but in any event no later than 10.00 am Dublin time on the third (3rd) Business Day after a Demand is deemed received by it in accordance with the

terms of this Letter of Credit. Such payment shall be made without set-off or counterclaim and free from any deduction or withholding of, for or on account of, any present or future taxes, duties or governmental charges of whatever nature other than is required by any applicable law. If any such deduction or withholding shall be required by any applicable law to be made from such payment, the Issuer Bank shall pay to the Beneficiary on the due date for payment under such Demand such additional amount as shall result in the Beneficiary receiving the same net amount as the Beneficiary would have received in the absence of such deduction or withholding. Payment of amounts due under a Demand shall be made in Euro in immediately available, fully transferable, cleared funds by transfer directly to a bank account of the Beneficiary specified in such Demand.

5. A Demand shall be delivered by hand or registered post to the Issuer Bank at the following address:

Issuer Bank Branch: [•]

Issuer Bank Address: [•]

For the Attention of: [•]

Any Demand sent by the Beneficiary to the Issuer Bank shall be deemed to have been received by the Issuer Bank (i) in the case of delivery by hand, when it has been left at the address set forth above and (ii) in the case of delivery by registered post, upon receipt of confirmation of delivery.

6. A Demand may be served by the Beneficiary under this Letter of Credit at any time from, and including, the Effective Date to, and including, the Expiry Date. Save in respect of any unsatisfied Demand issued hereunder on or prior to the Expiry Date, the Issuer Bank's obligation to perform and its liability hereunder shall cease on the Expiry Date.

7. If the Issuer Bank fails to pay any amount payable by it under a Demand on or by the third (3rd) Business Day after the date of deemed receipt by it of the relevant Demand, interest shall accrue on the overdue amount from such third (3rd) Business Day up to the date of actual payment of amounts payable by it under the Demand at a rate equal to EURIBOR for such period as the Beneficiary shall select (or, if EURIBOR is no longer published, such other benchmark rate of interest as the Beneficiary may specify (acting in a commercially reasonable manner)) plus 2%. Any interest accruing under this clause 7 shall be payable immediately by the Issuer Bank on demand by the Beneficiary.

8. The obligations of the Issuer Bank hereunder constitute direct, primary, irrevocable and absolute obligations and shall not be discharged or otherwise prejudiced or adversely affected by:

(a) any time, indulgence, waiver or concession which the Beneficiary may grant to the Applicant;

(b) any amendment or modification which may be made, at liberty by the Beneficiary without any further consent from the Issuer Bank, to the Agreement[s];

(c) any change in the constitution or organisation of the Applicant;

- (d) any invalidity, rescission, irregularity or unenforceability (in whole or in part) of the Agreement[s];
 - (e) any incapacity or lack of powers, authority or legal personality of or dissolution of or any change in the legal status of the Applicant;
 - (f) any settlement or compromise of any obligation of the Applicant;
 - (g) any other bond, letter of credit, security or guarantee held or obtained by the Beneficiary for any of the obligations of the Applicant under the Agreement[s];
or
 - (h) any act or omission of the Applicant pursuant to any other arrangement with the Beneficiary.
9. The benefit of this Letter of Credit may not be assigned, transferred or charged by the Beneficiary without the prior consent of the Issuer Bank, provided that such consent shall not be unreasonably withheld.
10. This Letter of Credit may be amended only by an instrument in writing signed on behalf of the Issuer Bank, the Applicant and the Beneficiary.
11. The Issuer Bank hereby represents and warrants to the Beneficiary as follows:-
- (a) the Issuer Bank has the corporate power and authority to execute and deliver this Letter of Credit and to perform its obligations hereunder;
 - (b) the execution and performance by the Issuer Bank of this Letter of Credit has been duly authorised by all necessary corporate action and will not violate any provision of any applicable law or regulation or any order of any court or regulatory body or any provision of its constituent documents;
 - (c) no authorisation, consent, approval or licence of, or filing or registration with, any governmental authority is required for the Issuer Bank to execute this letter of Credit and to perform its obligations hereunder; and
 - (d) this Letter of Credit has been duly executed by the Issuer Bank and constitutes its legal, valid and binding obligations, enforceable in accordance with their terms.
12. All charges and commissions hereunder are for account of the Applicant.
13. This Letter of Credit shall be interpreted and construed in accordance with, and governed by, the laws of the Ireland. The courts of Ireland have exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter of Credit (including a dispute regarding the existence, validity or termination of this Letter of Credit).
14. Except in so far as otherwise expressly stated herein, this unconditional and irrevocable Letter of Credit is subject to the International Standby Practices 1998 (International Chamber of Commerce publication No. 590) (“**ISP98**”). For the purposes of this Letter of Credit, references in ISP98 to the “issuer” shall be references to the Issuer Bank references to the “beneficiary” shall be references to the Beneficiary, as defined herein. In the event

of conflict, inconsistency or ambiguity between the provisions of ISP98 and this Letter of Credit, the terms of this Letter of Credit shall prevail between the parties hereto.

LETTER OF CREDIT - EXECUTION PAGE

Signed and Delivered as a deed by [•]
as duly authorised attorney for and on
behalf of the Issuer Bank in the
presence of:

Signature of Witness

Name of Witness

Address of Witness

Occupation of Witness

or

PRESENT when the COMMON SEAL
of [*Issuer Bank*] was affixed hereto

Director

Director/Secretary

[*Issuer Bank Name and Address*]

[Issuer Bank Name and Address]

APPENDIX TO LETTER OF CREDIT

FORM OF DEMAND

To: [The Issuer Bank]

Address: [●]

Branch: [●]

Fax number: [●]

For the Attention of: [●]

Irrevocable and Unconditional Letter of Credit No. [●] dated [●] (the "Letter of Credit")

We refer to the above Letter of Credit issued by you in our favour.

Words and expressions defined in the Letter of Credit shall, unless expressly provided herein, have the same meaning in this Demand. This is a Demand under the Letter of Credit.

In accordance with the terms of the Letter of Credit, we hereby make demand for payment of the sum of €[●] and request that you pay the same immediately to the account of [Transporter] with [Name of Bank] at [Name and Address of Branch], having the following details: IBAN [●] and BIC [●].

For: [Transporter]

By: _____
Authorised Signatory

Dated this [●] day of [●] 20[●]

APPENDIX 2

PRO FORMA TERM DEPOSIT AGREEMENT

GAS NETWORKS IRELAND

POLICY NO. FS01

FINANCIAL SECURITY PACKAGE

PRO FORMA TERM DEPOSIT AGREEMENT

PRO FORMA TERM DEPOSIT AGREEMENT

THIS DEPOSIT AGREEMENT is made on 20[•]

BETWEEN

- (1) [•], a company incorporated under the laws of [Ireland] having its [registered office at [•] and] principal place of business at [•] (the “**Depositor**”); and
- (2) [**TRANSPORTER**] having its registered office at Gasworks Road, Cork, Ireland (the “**Transporter**”).

RECITALS

- (A) The Transporter and the Depositor [have entered]/[wish to enter] into the Agreement[s].
- (B) In compliance with the Financial Security Policy, the Depositor has agreed to provide cash to the Transporter as security for the Depositor’s obligations under the Agreement(s) upon the terms and conditions of this Deposit Agreement.
- (C) This Deposit Agreement supersedes any deposit agreement (other than any Demand Deposit Agreement) previously entered into between the Depositor and the Transporter in accordance with the Financial Security Policy and any monies deposited by the Depositor in the Account prior to the date of this Agreement and not previously repaid to the Depositor shall, with effect from the date hereof, be deemed to be Deposit Monies for the purposes of and subject to the terms of this Deposit Agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 In this Deposit Agreement, words and expressions shall, unless otherwise defined herein or unless the context otherwise requires, have the meanings given to them in the Financial Security Policy. In addition, unless the context otherwise requires, the following expressions shall have the following meanings:

“**Account**” means the account having the following details: IBAN [•] and BIC [•], and held in the name of the Transporter with the Account Bank (as renumbered or redesignated from time to time), as notified by the Transporter to the Depositor and into which the Depositor will pay or transfer (or procure the payment or transfer of) the Deposit Monies;

“**Account Balance**” means the balance for the time being and from time to time standing to the credit of the Account together with all interest thereon and the debt represented thereby;

“**Account Bank**” means [•] or such replacement account bank as the Transporter may in its absolute discretion nominate from time to time;

“**Agreement[s]**” has the meaning given to it in the Financial Security Policy;

“Deposit Monies” means at any time the aggregate of all cash sums paid or transferred by the Depositor into the Account pursuant to Clause 3.1 and which have not been repaid to the Depositor at or prior to such time;

“Enforcement Event” means a failure by the Depositor to make payment on a due date under or in connection with the Agreement[s];

“Financial Security Policy” means the Policy FS01, Financial Security Policy published by the Transporter from time to time and approved by the Commission for Energy Regulation; and

“Secured Obligations” has the meaning given to it in Clause 2.

Interpretation

- 1.2 (a) Unless a contrary indication appears, any reference in this Deposit Agreement to:
- (i) the **“Transporter”**, the **“Depositor”** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) an **“amendment”** includes a supplement, novation, restatement or re-enactment and **“amended”** will be construed accordingly;
 - (iii) a **“Clause”** shall be construed as a reference to a clause of this Deposit Agreement;
 - (iv) the **“Agreement[s]”**, this **“Deposit Agreement”** or any other agreement or instrument is a reference to the same as amended, restated, supplemented and/or novated from time to time;
 - (v) **“encumbrance”** includes a mortgage, charge, pledge, lien, hypothecation, assignment or deposit by way of security or any other encumbrance or security interest of any kind (other than a lien arising in the ordinary course of business by operation of law) or any other type or preferential arrangement having a similar effect;
 - (vi) a **“person”** includes any person, firm, company, body corporate, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) of two or more of the foregoing; and
 - (vii) a time of day is a reference to Irish time;
- (b) Clause headings are for ease of reference only and shall not affect the construction;
- (c) words denoting the singular number only shall include the plural number also and vice versa; and
- (d) words denoting one gender only shall include the other gender.

2. **COVENANT TO PAY**

The Depositor hereby irrevocably covenants to pay and discharge, as and when due and payable, all amounts and liabilities which are now or hereafter become due, owing or payable by it to the Transporter, whether actually or contingently, as principal or as surety, solely or jointly and/or severally with others, whether in respect of principal, interest, fees, expenses or otherwise, under or in connection with the Agreement[s] together with all sums arising under Clause 16 (*Costs and Expenses*) of this Deposit Agreement (all such amounts and liabilities together the "**Secured Obligations**").

3. **DEPOSIT**

3.1 The Depositor undertakes that, so long as any Secured Obligation remains outstanding or to be discharged, it shall from time to time and as required under the Financial Security Policy pay or transfer cash sums into the Account. Without prejudice to the Depositor's obligation to make such further payments or transfers, the Transporter may at any time notify the Depositor in writing of further sums required to be paid into the Account and the Depositor agrees and undertakes to make payment or have transferred the relevant sum(s) to the Account within 7 calendar days of receipt by it of any such notice.

3.2 The Depositor hereby covenants that the aggregate of Deposit Monies standing to the credit of an Account at any time shall at all times be equal to or greater than the Depositor's applicable Total Required Security Cover Amount (less the aggregate of any other Posted Security Cover Amounts applicable to any other Security Cover which is then in full force and effect and provided by the Depositor to the Transporter) at such time.

3.3 All payments by the Depositor under this Clause 3 shall be:

- (a) free and clear of any withholding or deduction;
- (b) for value on the date of payment;
- (c) made as beneficial owner;
- (d) made without set-off or counterclaim; and
- (e) made by way of electronic funds transfer, to the Account.

3.4 The Depositor shall promptly provide the Transporter with evidence of its irrevocable payment of all Deposit Monies paid or transferred by it into the Account.

3.5 Each payment or transfer by the Depositor under this Clause 3 shall constitute an irrevocable payment by the Depositor to the Transporter for application by it in accordance with this Deposit Agreement.

3.6 The Depositor acknowledges and agrees that (a) all Deposit Monies paid or transferred into the Account will upon payment constitute monies belonging absolutely to the Transporter and will be co-mingled with other deposit monies paid by other shippers or persons under or in connection with similar arrangements with the Transporter, and (b) the Account Bank will be entitled to and will charge or levy bank costs, charges,

expenses, etc. (as referred to in Clause 4.4) relating to the Account by deducting the same from the Account Balance.

- 3.7 The Transporter shall require the Account Bank to provide it with regular statements setting out the Account Balance, details of all payments made into and out of the Account (including, but not limited to, payments by or to the Depositor) and all bank costs, charges, etc. (as referred to in Clause 4.4) deducted from or charged to the Account from time to time. The Transporter shall be entitled to keep confidential all such statements and all other details and information relating to the Account and the Account Balance.
- 3.8 In any litigation or arbitration proceedings arising out of or in connection with this Deposit Agreement and/or the Agreement[s], the entries made in or in respect of the Account maintained by the Account Bank are conclusive evidence of the matters to which they relate.
- 3.9 Any certification or determination by the Transporter of an amount or rate under or in connection with the Account, the Account Balance, the Deposit Monies, this Deposit Agreement and/or the Agreement[s] is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

4. APPLICATION OF DEPOSIT MONIES

- 4.1 Subject to Clauses 4.2, 4.4 and 10 (*Set-off*), the Transporter shall, and may only, apply the Deposit Monies in and towards payment and satisfaction of the Secured Obligations as and when they fall due. Any such application of the Deposit Monies, whether in whole or in part, shall operate to discharge, pro tanto, the relevant Secured Obligations.
- 4.2 Subject to Clause 4.3, if, at any time, in its absolute discretion, it is satisfied that the Deposit Monies paid by the Depositor into the Account (when taken together with the aggregate of any other Posted Security Cover Amounts applicable to any other Security Cover which is then in full force and effect and provided by the Depositor to the Counterparty) exceed the Depositor's then applicable Total Required Security Cover Amount, then as soon as practicable after receipt of a written request from the Depositor, the Transporter shall pay or procure the payment of an amount equal to such excess to the Depositor from the Account or from such other sources as it may decide. The Depositor acknowledges and agrees that any such payment shall be without prejudice to its own continuing obligations under Clause 3.2.
- 4.3 The Depositor shall not be entitled to withdraw any amounts from the Account where at the time of such withdrawal the Account Balance (excluding any accrued interest) would be less than the Deposit Monies paid by the Depositor in the previous 12 months.
- 4.4 The Depositor acknowledges and agrees that the Account and the Account Balance shall be operated in accordance with the usual terms and conditions operated by the Account Bank from time to time and that the Transporter shall have no liability whatsoever in respect of any reduction in value or application of the Account Balance and the Deposit Monies as a result of and/or in or towards bank costs, charges, expenses, fees, commissions, set-off or counterclaim by the Account Bank in any circumstance whatsoever (and including, for the avoidance of doubt, the application by the Account Bank of negative interest rates), save where the same results from the Transporter's gross negligence or wilful misconduct.

5. **TRANSPORTER COVENANTS**

The Transporter shall:

- (a) operate the Account in good faith and in a proper commercial and business like manner in accordance with the Financial Security Policy unless and until an Enforcement Event occurs; and
- (b) use its reasonable endeavours to procure a market related rate of interest applicable to the Account Balance from time to time.

6. **DEPOSITOR ACKNOWLEDGEMENTS AND COVENANTS**

6.1 The Depositor acknowledges, agrees and undertakes that it will not, and will not be entitled to:

- (a) seek, or assert its right to seek, payment or release of any part of the Account Balance to it or support anyone else seeking to do any of the same; or
- (b) claim or assert any right, title, interest and/or benefit in or to the Account and/or the Account Balance (or any part thereof) or support anyone else seeking to do so; or
- (c) do, or cause or permit to be done, anything which may in any way depreciate, jeopardise or otherwise prejudice the Account, the Account Balance or the Transporter's right and title thereto.

6.2 The Depositor acknowledges and agrees that (a) its right to payment under Clause 4.2 is a separate stand-alone right against the Transporter itself and not in respect of the Account and/or the Account Balance, and (b) it has no right, title, interest and/or benefit in or to the Account and/or the Account Balance.

7. **SECURITY COVER**

7.1 This Deposit Agreement and the payments and transfers made by the Depositor pursuant to Clause 3 (*Deposit*) is made [to satisfy]/[in part satisfaction of] the obligation(s) of the Depositor under the Agreement[s] to provide or procure Security Cover (as defined in the Financial Security Policy).

7.2 The Depositor shall have the right at any time, upon [30 calendar days'] prior written notice in writing to the Transporter, to offer alternative or substitute collateral as Security Cover. Any such alternative collateral must be in form and substance satisfactory to the Transporter (at its discretion but consistent with the provisions relating to Security Cover as set out in the Financial Security Policy).

8. **REPRESENTATIONS**

8.1 The Depositor hereby represents and warrants to the Transporter that:

- (a) it is a [company] duly incorporated and existing under the laws of [Ireland];

- (b) it has full power to enter into, deliver and perform its obligations under this Deposit Agreement;
- (c) all necessary corporate, shareholder and other action needed to permit it to execute and deliver this Deposit Agreement, to perform its obligations hereunder has been taken;
- (d) the obligations on its part are legal, valid, binding and enforceable;
- (e) all authorisations, consents, registrations and notifications which must be obtained in connection with its execution and performance of this Deposit Agreement have been obtained or made and are in full force and effect;
- (f) its execution of, compliance with its obligations under this Deposit Agreement do not and will not conflict with:
 - (i) its constitutional documents; or
 - (ii) any law or regulation binding on it;
- (g) immediately prior to payment thereof into the Account, it is the beneficial owner, free and clear of any encumbrance, of the Deposit Monies;
- (h) it is not required to make any deduction or withholding from any payment into the Account;
- (i) the choice of Irish law as the governing law of this Deposit Agreement will be recognised and enforced in its jurisdiction of incorporation; and
- (j) any judgment obtained in Ireland in relation to this Deposit Agreement will be recognised and enforced in its jurisdiction of incorporation.

The representations and warranties set out in Clause 8.1 shall be deemed to be made by the Depositor by reference to the facts and circumstances then existing on the date of each further payment or transfer pursuant to Clause 3.2.

9. **FURTHER ASSURANCE**

Each party hereto undertakes, from time to time and at all times to execute and do all such deeds, assurances, agreements, instruments, acts and things as the other may reasonably require in furtherance of the intent and purpose of this Deposit Agreement.

10. **SET-OFF AND RIGHT OF APPROPRIATION**

Without limiting any other right of set-off or of combining accounts or any similar right to which the Transporter may be entitled (including rights under the Agreement[s] or any other contract between the Transporter and the Depositor), the Transporter shall be entitled to any time following an Enforcement Event and without notice to the Depositor to:-

- (a) set-off all or any part of the Secured Obligations (whether or not then due and payable by the Depositor) against the obligations and liabilities of the Transporter under or in respect of the Agreement[s]; and/or
- (b) apply or appropriate such proportion of the Account Balance as represents the Deposit Monies in or towards the payment or discharge of the Secured Obligations.

11. **RELEASE**

11.1 The Transporter shall pay or procure the payment to the Depositor of an amount equal to the balance of the Deposit Monies (following their application in accordance with Clause 4 and after deduction of any actual or contingent tax loss, cost, charge or liability imposed, arising, levied or assessed thereon or in respect thereof) together with a sum representing a good faith and fair apportionment of interest applicable to the Deposit Monies (by reference to the time(s) and amounts paid by the Depositor into the Account) upon receipt of the written request of the Depositor:

- (a) once the Depositor's applicable Total Required Security Cover Amount is reduced to zero; or
- (b) subject to no Enforcement Event subsisting at such time, upon receipt by it of alternative or substitute collateral as Security Cover in compliance with the Financial Security Policy and in form and substance satisfactory to the Transporter together with a legal opinion from the Transporter's legal counsel confirming that the provision of such alternative or substitute collateral and the payment of such amount to the Depositor (or to its order) will not expose the Transporter to the risk of the alternative or substitute collateral being avoided, set aside or reduced as a result of insolvency or any similar event.

11.2 The Depositor acknowledges and agrees that its right to payment under Clause 11.1 is a separate stand-alone right against the Transporter itself and not in respect of the Account and/or the Account Balance.

12. **TAX INDEMNITY**

If the Transporter is required to make any payment of or on account of tax on or in relation to this Deposit Agreement, the Account, the Account Balance and/or the Deposit Monies or if any liability in respect of any of the same is imposed, levied or assessed against the Transporter, the Depositor shall, upon demand by the Transporter, indemnify the Transporter if it suffers a loss, liability or cost (directly or indirectly) as a result against such payment or liability. The Transporter shall be entitled to apply the Account Balance to pay and discharge any such tax or liability at any time without notice to the Depositor.

13. **NOTICES AND COMMUNICATION**

Any communication or notification given or made by a party under this Deposit Agreement shall be in accordance with the Financial Security Policy.

14. **ASSIGNMENT**

- 14.1 The Depositor may not assign, transfer, declare trusts over or otherwise deal with any of its rights or obligations under this Deposit Agreement without the Transporter's prior written consent.
- 14.2 The Transporter may at any time assign, transfer and/or declare trusts over its rights and obligations under this Deposit Agreement without the consent of the Depositor.
- 14.3 This Deposit Agreement shall be binding upon and inure to the benefit of the Depositor and the Transporter and their respective successors and permitted assigns.

15. **MISCELLANEOUS**

Rights cumulative, no waiver

- 15.1 Failure by the Transporter to exercise any right, or delay in doing so, will not operate as a waiver of that right; and a failure or delay in exercising, or a single or partial exercise of any right, power, privilege or remedy does not preclude any exercise of further exercise of that (or any other) right, powers and remedies provided by law.

Certificate conclusive

- 15.2 In any action, proceedings or claim relating to this Deposit Agreement, a certificate as to any amount due to the Transporter or any Secured Obligation amount(s) signed by an officer of the Transporter shall, except in the case of manifest error, be conclusive and binding on the Depositor.

Partial invalidity

- 15.3 If, at any time, any provision of this Deposit Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired.

16. **COSTS AND EXPENSES**

- 16.1 The Depositor agrees and undertakes to indemnify the Transporter and keep the Transporter indemnified on demand and on a full after-tax indemnity basis for and against:
- (a) all losses, costs, charges, expenses, fees (including, without limitation, legal fees), demands, liabilities, claims, actions, damages and penalties arising out of or incurred in connection with:
 - (i) the failure of the Depositor to make due and punctual payment of any amounts under or in connection with the Agreement[s] or any other Secured Obligation;

- (ii) the actions of the Transporter (or any agent on its behalf) in enforcing or endeavouring to enforce the payment of any Secured Obligations or the obligations of the Depositor under this Deposit Agreement;
 - (iii) the actions of the Transporter or any agents on its behalf) in preserving or endeavouring to preserve its rights under this Deposit Agreement; and
 - (iv) failure by the Depositor to perform its obligations or discharge or satisfy its liabilities under this Deposit Agreement; and
- (b) all reasonable costs, charges and other out-of-pocket expenses (including, without limitation, all legal expenses) from time to time incurred by the Transporter in any way in connection with this Deposit Agreement and all stamp and other duties payable on or in respect of this Deposit Agreement.

16.2 The Depositor shall pay and, within 5 days of demand, indemnify the Transporter against any cost, loss or liability that the Transporter incurs in relation to all stamp duty, registration and other similar taxes payable in respect of this Deposit Agreement.

16.3 If any sum due from the Depositor under this Deposit Agreement (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:

- (a) making or filing a claim or proof against the Depositor;
- (b) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Depositor shall as an independent obligation, on demand, indemnify the Transporter against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency, and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum. The Depositor waives any right it may have in any jurisdiction to pay any amount under this Deposit Agreement in a currency or currency unit other than that in which it is expressed to be payable.

16.4 The provisions of this Clause 16 shall survive any release of the security granted hereunder and termination of this Deposit Agreement.

17. **GOVERNING LAW**

This Deposit Agreement is governed by, and shall be construed in accordance with, Irish law.

18. **ENFORCEMENT**

Jurisdiction of Irish courts

18.1 The courts of Ireland have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deposit Agreement (including a dispute regarding the existence,

validity or termination of this Deposit Agreement) (a “**Dispute**”). The Depositor agrees that the courts of Ireland are the most appropriate and convenient courts to settle Disputes and accordingly it will not argue to the contrary.

[Service of process

- 18.2 Without prejudice to any other mode of service permitted under any relevant law, the Depositor irrevocably appoints [•] of [•] as its agent for service of process in relation to any proceedings before the Irish courts in connection with this Deposit Agreement, and agrees that failure by the process agent to notify the Depositor of the process will not invalidate the proceedings concerned.]

19. **COUNTERPARTS**

This Deposit Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Deposit Agreement to be duly executed as a deed and delivered on the date first set forth above.

DEPOSIT AGREEMENT - EXECUTION PAGE

[Present when the Common Seal
of [*Depositor*]
was affixed hereto:

Director

Director/Secretary]

[*or*]

[Executed as a Deed

By: _____

[*name & position*]

for and on behalf of

[*Depositor*]

Address: [•]

Attention: [•]

Fax no.: [•]

[TRANSPORTER]

By: _____

[•]

Address: [Gasworks Road, Cork, Ireland]

Attention: [•]

Fax no.: +353 21 5006101

APPENDIX 3

PRO FORMA DEMAND DEPOSIT AGREEMENT

GAS NETWORKS IRELAND

POLICY NO. FS01

FINANCIAL SECURITY PACKAGE

PRO FORMA DEMAND DEPOSIT AGREEMENT

PRO FORMA DEMAND DEPOSIT AGREEMENT

THIS DEPOSIT AGREEMENT is made on 20[•]

BETWEEN

- (1) [•], a company incorporated under the laws of [Ireland] having its [registered office at [•] and] principal place of business at [•] (the “**Depositor**”); and
- (2) [**TRANSPORTER**] having its registered office at Gasworks Road, Cork, Ireland (the “**Transporter**”).

RECITALS

- (A) The Transporter and the Depositor [have entered]/[wish to enter] into the Agreement[s].
- (B) In compliance with the Financial Security Policy, the Depositor has agreed to provide cash to the Transporter as security for the Depositor’s obligations under the Agreement(s) upon the terms and conditions of this Deposit Agreement.
- (C) This Deposit Agreement supersedes any deposit agreement (other than any Term Deposit Agreement) previously entered into between the Depositor and the Transporter in accordance with the Financial Security Policy and any monies deposited by the Depositor in the Account prior to the date of this Agreement and not previously repaid to the Depositor shall, with effect from the date hereof, be deemed to be Deposit Monies for the purposes of and subject to the terms of this Deposit Agreement.

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 In this Deposit Agreement, words and expressions shall, unless otherwise defined herein or unless the context otherwise requires, have the meanings given to them in the Financial Security Policy. In addition, unless the context otherwise requires, the following expressions shall have the following meanings:

“**Account**” means the account having the following details: IBAN [•] and BIC [•], and held in the name of the Transporter with the Account Bank (as renumbered or redesignated from time to time), as notified by the Transporter to the Depositor and into which the Depositor will pay or transfer (or procure the payment or transfer of) the Deposit Monies;

“**Account Balance**” means the balance for the time being and from time to time standing to the credit of the Account together with all interest thereon and the debt represented thereby;

“**Account Bank**” means [•] or such replacement account bank as the Transporter may in its absolute discretion nominate from time to time;

“**Agreement[s]**” has the meaning given to it in the Financial Security Policy;

“Deposit Monies” means at any time the aggregate of all cash sums paid or transferred by the Depositor into the Account pursuant to Clause 3.1 and which have not been repaid to the Depositor at or prior to such time;

“Enforcement Event” means a failure by the Depositor to make payment on a due date under or in connection with the Agreement[s];

“Financial Security Policy” means the Policy FS01, Financial Security Policy published by the Transporter from time to time and approved by the Commission for Energy Regulation; and

“Secured Obligations” has the meaning given to it in Clause 2.

Interpretation

- 1.2 (a) Unless a contrary indication appears, any reference in this Deposit Agreement to:
- (i) the **“Transporter”**, the **“Depositor”** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) an **“amendment”** includes a supplement, novation, restatement or re-enactment and **“amended”** will be construed accordingly;
 - (iii) a **“Clause”** shall be construed as a reference to a clause of this Deposit Agreement;
 - (iv) the **“Agreement[s]”**, this **“Deposit Agreement”** or any other agreement or instrument is a reference to the same as amended, restated, supplemented and/or novated from time to time;
 - (v) **“encumbrance”** includes a mortgage, charge, pledge, lien, hypothecation, assignment or deposit by way of security or any other encumbrance or security interest of any kind (other than a lien arising in the ordinary course of business by operation of law) or any other type or preferential arrangement having a similar effect;
 - (vi) a **“person”** includes any person, firm, company, body corporate, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) of two or more of the foregoing; and
 - (vii) a time of day is a reference to Irish time;
- (b) Clause headings are for ease of reference only and shall not affect the construction;
- (c) words denoting the singular number only shall include the plural number also and vice versa; and
- (d) words denoting one gender only shall include the other gender.

2. **COVENANT TO PAY**

The Depositor hereby irrevocably covenants to pay and discharge, as and when due and payable, all amounts and liabilities which are now or hereafter become due, owing or payable by it to the Transporter, whether actually or contingently, as principal or as surety, solely or jointly and/or severally with others, whether in respect of principal, interest, fees, expenses or otherwise, under or in connection with the Agreement[s] together with all sums arising under Clause 16 (*Costs and Expenses*) of this Deposit Agreement (all such amounts and liabilities together the "**Secured Obligations**").

3. **DEPOSIT**

3.1 The Depositor undertakes that, so long as any Secured Obligation remains outstanding or to be discharged, it shall from time to time and as required under the Financial Security Policy pay or transfer cash sums into the Account. Without prejudice to the Depositor's obligation to make such further payments or transfers, the Transporter may at any time notify the Depositor in writing of further sums required to be paid into the Account and the Depositor agrees and undertakes to make payment or have transferred the relevant sum(s) to the Account within 7 calendar days of receipt by it of any such notice.

3.2 The Depositor hereby covenants that the aggregate of Deposit Monies standing to the credit of an Account at any time shall at all times be equal to or greater than the Depositor's applicable Total Required Security Cover Amount (less the aggregate of any other Posted Security Cover Amounts applicable to any other Security Cover which is then in full force and effect and provided by the Depositor to the Transporter) provided by the Depositor to the Transporter) at such time.

3.3 All payments by the Depositor under this Clause 3 shall be:

- (a) free and clear of any withholding or deduction;
- (b) for value on the date of payment;
- (c) made as beneficial owner;
- (d) made without set-off or counterclaim; and
- (e) made by way of electronic funds transfer, to the Account.

3.4 The Depositor shall promptly provide the Transporter with evidence of its irrevocable payment of all Deposit Monies paid or transferred by it into the Account.

3.5 Each payment or transfer by the Depositor under this Clause 3 shall constitute an irrevocable payment by the Depositor to the Transporter for application by it in accordance with this Deposit Agreement.

3.6 The Depositor acknowledges and agrees that (a) all Deposit Monies paid or transferred into the Account will upon payment constitute monies belonging absolutely to the Transporter and will be co-mingled with other deposit monies paid by other shippers or persons under or in connection with similar arrangements with the Transporter, and (b) the Account Bank will be entitled to and will charge or levy bank costs, charges,

expenses, etc. (as referred to in Clause 4.3) relating to the Account by deducting the same from the Account Balance.

- 3.7 The Transporter shall require the Account Bank to provide it with regular statements setting out the Account Balance, details of all payments made into and out of the Account (including, but not limited to, payments by or to the Depositor) and all bank costs, charges etc. (as referred to in Clause 4.3) deducted from or charged to the Account from time to time. The Transporter shall be entitled to keep confidential all such statements and all other details and information relating to the Account and the Account Balance.
- 3.8 In any litigation or arbitration proceedings arising out of or in connection with this Deposit Agreement and/or the Agreement[s], the entries made in or in respect of the Account maintained by the Account Bank are conclusive evidence of the matters to which they relate.
- 3.9 Any certification or determination by the Transporter of an amount or rate under or in connection with the Account, the Account Balance, the Deposit Monies, this Deposit Agreement and/or the Agreement[s] is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

4. APPLICATION OF DEPOSIT MONIES

- 4.1 Subject to Clauses 4.2, 4.3 and 10 (*Set-off*), the Transporter shall, and may only, apply the Deposit Monies in and towards payment and satisfaction of the Secured Obligations as and when they fall due. Any such application of the Deposit Monies, whether in whole or in part, shall operate to discharge, pro tanto, the relevant Secured Obligations.
- 4.2 If, at any time, in its absolute discretion, it is satisfied that the Deposit Monies paid by the Depositor into the Account (when taken together with the aggregate of any other Posted Security Cover Amounts applicable to any other Security Cover which is then in full force and effect and provided by the Depositor to the Counterparty) exceed the Depositor's then applicable Total Required Security Cover Amount, then as soon as practicable after receipt of a written request from the Depositor, the Transporter shall pay or procure the payment of an amount equal to such excess to the Depositor from the Account or from such other sources as it may decide. The Depositor acknowledges and agrees that any such payment shall be without prejudice to its own continuing obligations under Clause 3.2.
- 4.3 The Depositor acknowledges and agrees that the Account and the Account Balance shall be operated in accordance with the usual terms and conditions operated by the Account Bank from time to time and that the Transporter shall have no liability whatsoever in respect of any reduction in value or application of the Account Balance and the Deposit Monies as a result of and/or in or towards bank costs, charges, expenses, fees, commissions, set-off or counterclaim by the Account Bank in any circumstance whatsoever (and including, for the avoidance of doubt, the application by the Account Bank of negative interest rates), save where the same results from the Transporter's gross negligence or wilful misconduct.

5. **TRANSPORTER COVENANTS**

Subject to Clause 6, the Transporter shall operate the Account in good faith and in a proper commercial and business like manner in accordance with the Financial Security Policy unless and until an Enforcement Event occurs.

6. **DEPOSITOR ACKNOWLEDGEMENTS AND COVENANTS**

6.1 The Depositor acknowledges, agrees and undertakes that it will not, and will not be entitled to:

- (a) seek, or assert its right to seek, payment or release of any part of the Account Balance to it or support anyone else seeking to do any of the same; or
- (b) claim or assert any right, title, interest and/or benefit in or to the Account and/or the Account Balance (or any part thereof) or support anyone else seeking to do so; or
- (c) do, or cause or permit to be done, anything which may in any way depreciate, jeopardise or otherwise prejudice the Account, the Account Balance or the Transporter's right and title thereto.

6.2 The Depositor acknowledges and agrees that (a) its right to payment under Clause 4.2 is a separate stand-alone right against the Transporter itself and not in respect of the Account and/or the Account Balance, and (b) it has no right, title, interest and/or benefit in or to the Account and/or the Account Balance.

6.3 The Depositor acknowledges and agrees that no interest shall accrue on the Account Balance and that the Depositor shall not be entitled to any payment from the Transporter in this regard.

7. **SECURITY COVER**

7.1 This Deposit Agreement and the payments and transfers made by the Depositor pursuant to Clause 3 (*Deposit*) is made [to satisfy]/[in part satisfaction of] the obligation(s) of the Depositor under the Agreement[s] to provide or procure Security Cover (as defined in the Financial Security Policy).

7.2 The Depositor shall have the right at any time, upon [30 calendar days'] prior written notice in writing to the Transporter, to offer alternative or substitute collateral as Security Cover. Any such alternative collateral must be in form and substance satisfactory to the Transporter (at its discretion but consistent with the provisions relating to Security Cover as set out in the Financial Security Policy).

8. **REPRESENTATIONS**

8.1 The Depositor hereby represents and warrants to the Transporter that:

- (a) it is a [company] duly incorporated and existing under the laws of [Ireland];
- (b) it has full power to enter into, deliver and perform its obligations under this Deposit Agreement;

- (c) all necessary corporate, shareholder and other action needed to permit it to execute and deliver this Deposit Agreement, to perform its obligations hereunder has been taken;
- (d) the obligations on its part are legal, valid, binding and enforceable;
- (e) all authorisations, consents, registrations and notifications which must be obtained in connection with its execution and performance of this Deposit Agreement have been obtained or made and are in full force and effect;
- (f) its execution of, compliance with its obligations under this Deposit Agreement do not and will not conflict with:
 - (i) its constitutional documents; or
 - (ii) any law or regulation binding on it;
- (g) immediately prior to payment thereof into the Account, it is the beneficial owner, free and clear of any encumbrance, of the Deposit Monies;
- (h) it is not required to make any deduction or withholding from any payment into the Account;
- (i) the choice of Irish law as the governing law of this Deposit Agreement will be recognised and enforced in its jurisdiction of incorporation; and
- (j) any judgment obtained in Ireland in relation to this Deposit Agreement will be recognised and enforced in its jurisdiction of incorporation.

The representations and warranties set out in Clause 8.1 shall be deemed to be made by the Depositor by reference to the facts and circumstances then existing on the date of each further payment or transfer pursuant to Clause 3.2.

9. FURTHER ASSURANCE

Each party hereto undertakes, from time to time and at all times to execute and do all such deeds, assurances, agreements, instruments, acts and things as the other may reasonably require in furtherance of the intent and purpose of this Deposit Agreement.

10. SET-OFF AND RIGHT OF APPROPRIATION

Without limiting any other right of set-off or of combining accounts or any similar right to which the Transporter may be entitled (including rights under the Agreement[s] or any other contract between the Transporter and the Depositor), the Transporter shall be entitled to any time following an Enforcement Event and without notice to the Depositor to:-

- (a) set-off all or any part of the Secured Obligations (whether or not then due and payable by the Depositor) against the obligations and liabilities of the Transporter under or in respect of the Agreement[s]; and/or

- (b) apply or appropriate such proportion of the Account Balance as represents the Deposit Monies in or towards the payment or discharge of the Secured Obligations.

11. **RELEASE**

11.1 The Transporter shall pay or procure the payment to the Depositor of an amount equal to the balance of the Deposit Monies (following their application in accordance with Clause 4 and after deduction of any actual or contingent tax loss, cost, charge or liability imposed, arising, levied or assessed thereon or in respect thereof) together with a sum representing a good faith and fair apportionment of interest applicable to the Deposit Monies (by reference to the time(s) and amounts paid by the Depositor into the Account) upon receipt of the written request of the Depositor:

- (a) once the Depositor's applicable Total Required Security Cover Amount is reduced to zero; or
- (b) subject to no Enforcement Event subsisting at such time, upon receipt by it of alternative or substitute collateral as Security Cover in compliance with the Financial Security Policy and in form and substance satisfactory to the Transporter together with a legal opinion from the Transporter's legal counsel confirming that the provision of such alternative or substitute collateral and the payment of such amount to the Depositor (or to its order) will not expose the Transporter to the risk of the alternative or substitute collateral being avoided, set aside or reduced as a result of insolvency or any similar event.

11.2 The Depositor acknowledges and agrees that its right to payment under Clause 11.1 is a separate stand-alone right against the Transporter itself and not in respect of the Account and/or the Account Balance.

12. **TAX INDEMNITY**

If the Transporter is required to make any payment of or on account of tax on or in relation to this Deposit Agreement, the Account, the Account Balance and/or the Deposit Monies or if any liability in respect of any of the same is imposed, levied or assessed against the Transporter, the Depositor shall, upon demand by the Transporter, indemnify the Transporter if it suffers a loss, liability or cost (directly or indirectly) as a result against such payment or liability. The Transporter shall be entitled to apply the Account Balance to pay and discharge any such tax or liability at any time without notice to the Depositor.

13. **NOTICES AND COMMUNICATION**

Any communication or notification given or made by a party under this Deposit Agreement shall be in accordance with the Financial Security Policy.

14. **ASSIGNMENT**

14.1 The Depositor may not assign, transfer, declare trusts over or otherwise deal with any of its rights or obligations under this Deposit Agreement without the Transporter's prior written consent.

14.2 The Transporter may at any time assign, transfer and/or declare trusts over its rights and obligations under this Deposit Agreement without the consent of the Depositor.

14.3 This Deposit Agreement shall be binding upon and inure to the benefit of the Depositor and the Transporter and their respective successors and permitted assigns.

15. **MISCELLANEOUS**

Rights cumulative, no waiver

15.1 Failure by the Transporter to exercise any right, or delay in doing so, will not operate as a waiver of that right; and a failure or delay in exercising, or a single or partial exercise of any right, power, privilege or remedy does not preclude any exercise of further exercise of that (or any other) right, powers and remedies provided by law.

Certificate conclusive

15.2 In any action, proceedings or claim relating to this Deposit Agreement, a certificate as to any amount due to the Transporter or any Secured Obligation amount(s) signed by an officer of the Transporter shall, except in the case of manifest error, be conclusive and binding on the Depositor.

Partial invalidity

15.3 If, at any time, any provision of this Deposit Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired.

16. **COSTS AND EXPENSES**

16.1 The Depositor agrees and undertakes to indemnify the Transporter and keep the Transporter indemnified on demand and on a full after-tax indemnity basis for and against:

- (a) all losses, costs, charges, expenses, fees (including, without limitation, legal fees), demands, liabilities, claims, actions, damages and penalties arising out of or incurred in connection with:
 - (i) the failure of the Depositor to make due and punctual payment of any amounts under or in connection with the Agreement[s] or any other Secured Obligation;
 - (ii) the actions of the Transporter (or any agent on its behalf) in enforcing or endeavouring to enforce the payment of any Secured Obligations or the obligations of the Depositor under this Deposit Agreement;
 - (iii) the actions of the Transporter or any agents on its behalf) in preserving or endeavouring to preserve its rights under this Deposit Agreement; and

(iv) failure by the Depositor to perform its obligations or discharge or satisfy its liabilities under this Deposit Agreement; and

(b) all reasonable costs, charges and other out-of-pocket expenses (including, without limitation, all legal expenses) from time to time incurred by the Transporter in any way in connection with this Deposit Agreement and all stamp and other duties payable on or in respect of this Deposit Agreement.

16.2 The Depositor shall pay and, within 5 days of demand, indemnify the Transporter against any cost, loss or liability that the Transporter incurs in relation to all stamp duty, registration and other similar taxes payable in respect of this Deposit Agreement.

16.3 If any sum due from the Depositor under this Deposit Agreement (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

(a) making or filing a claim or proof against the Depositor;

(b) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Depositor shall as an independent obligation, on demand, indemnify the Transporter against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency, and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum. The Depositor waives any right it may have in any jurisdiction to pay any amount under this Deposit Agreement in a currency or currency unit other than that in which it is expressed to be payable

16.4 The provisions of this Clause 16 shall survive any release of the security granted hereunder and termination of this Deposit Agreement.

17. **GOVERNING LAW**

This Deposit Agreement is governed by, and shall be construed in accordance with, Irish law.

18. **ENFORCEMENT**

Jurisdiction of Irish courts

18.1 The courts of Ireland have exclusive jurisdiction to settle any dispute arising out of or in connection with this Deposit Agreement (including a dispute regarding the existence, validity or termination of this Deposit Agreement) (a "**Dispute**"). The Depositor agrees that the courts of Ireland are the most appropriate and convenient courts to settle Disputes and accordingly it will not argue to the contrary.

[Service of process]

18.2 Without prejudice to any other mode of service permitted under any relevant law, the Depositor irrevocably appoints [•] of [•] as its agent for service of process in relation

to any proceedings before the Irish courts in connection with this Deposit Agreement, and agrees that failure by the process agent to notify the Depositor of the process will not invalidate the proceedings concerned.]

19. **COUNTERPARTS**

This Deposit Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Deposit Agreement to be duly executed as a deed and delivered on the date first set forth above.

DEPOSIT AGREEMENT - EXECUTION PAGE

[Present when the Common Seal
of [*Depositor*]
was affixed hereto:

Director

Director/Secretary]

[*or*]

[Executed as a Deed

By: _____

[*name & position*]

for and on behalf of

[*Depositor*]

Address: [•]

Attention: [•]

Fax no.: [•]

[TRANSPORTER]

By: _____

[•]

Address: [Gasworks Road, Cork, Ireland]

Attention: [•]

Fax no.: +353 21 5006101

APPENDIX 4

PRO FORMA QUALIFYING GUARANTEE

GAS NETWORKS IRELAND

POLICY NO. FS01

FINANCIAL SECURITY PACKAGE

PRO FORMA QUALIFYING GUARANTEE

PRO FORMA QUALIFYING GUARANTEE

To: [TRANSPORTER] (the "Transporter")

1. Guarantee

1.1 Guarantee

In consideration of [TRANSPORTER] (together with its assignees, transferees and successors from time to time, the "**Transporter**") agreeing to execute and enter into Agreement[s] made or to be made between [Counterparty's name] having its registered office at [address] (the "**Company**") and the Transporter, we, the undersigned, [Guarantor's name], [a]/[an] [jurisdiction of incorporation/establishment] [company]/[corporation] (the "**Guarantor**"), hereby irrevocably and unconditionally:

- (a) guarantee to you punctual performance by the Company of all and any payment and other monetary obligations arising under or in connection with the Agreements (the "**Guaranteed Obligations**");
- (b) undertake to you that whenever the Company does not pay any amount when due under or in connection with the Guaranteed Obligations, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- (c) indemnify you immediately on demand against any cost, loss or liability suffered by you if any obligation of the Company guaranteed by us hereunder is or becomes void, voidable, unenforceable, invalid, illegal or ineffective for any reason whatsoever. The amount of the cost, loss or liability shall be equal to the amount that you would otherwise have been entitled to recover from the Company.

1.2 Default Interest

If any sum due and payable by the Guarantor hereunder is not paid on the due date therefor in accordance with the provisions hereof or if any sum due and payable by the Guarantor under any judgment of any court in connection herewith is not paid on the due date in accordance with such judgment, during the period beginning on such due date or, as the case may be, the date of such judgment and ending on the date upon which the obligation of the Guarantor to pay such sum is discharged the Guarantor shall (as a separate and independent obligation) pay interest at the default rate equal to EURIBOR for such period as the Transporter shall select (or, if EURIBOR is no longer published, such other benchmark rate of interest as the Transporter may specify (acting in a commercially reasonable manner)) plus 2%.

1.3 Definitions

In this Guarantee:

- (a) "**Agreements**" has the meaning given to it in the Financial Security Policy;
- (b) "**Approved Credit Rating**" has the meaning given to it in Section 3.1 of the Financial Security Policy; and

- (c) **“Financial Security Policy”** means the Policy FS01, Financial Security Policy published by the Transporter from time to time approved by the Commission for Energy Regulation.

1.4 Construction

- (a) Unless a contrary indication appears, any reference in this Guarantee to:
 - (i) the **“Company”**, the **“Guarantor”**, **“Transporter”** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) an **“amendment”** includes a supplement, novation, restatement or re-enactment and **“amended”** will be construed accordingly;
 - (iii) a **“Clause”** shall be construed as a reference to a clause of this Guarantee;
 - (iv) the **“Agreement[s]”**, the **“Financial Security Policy”** or any other agreement, instrument or policy document is a reference to the same as amended from time to time;
 - (v) a **“person”** includes any person, firm, company, body corporate, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) of two or more of the foregoing; and
 - (vi) a time of day is a reference to Irish time;
- (b) Clause headings are for ease of reference only and shall not affect the construction;
- (c) words denoting the singular number only shall include the plural number also and vice versa; and
- (d) words denoting one gender only shall include the other gender.

1.5 Security Cover

This Guarantee is given by the Guarantor [to satisfy]/[in part satisfaction of] the obligation(s) of the Company under the Agreement[s] to provide or procure Security Cover (as defined in the Financial Security Policy).

2. Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by the Company under or in connection with the Agreement[s] in respect of the Guaranteed Obligations, regardless of any intermediate payment or discharge in whole or in part.

3. **Reinstatement**

If any payment by the Company or the Guarantor or any discharge given by the Transporter (whether in respect of the obligations of the Company, the Guarantor or any security for those obligations or otherwise) is avoided or reduced as a result of insolvency or any similar event:

- (a) the liability of the Company and the Guarantor shall continue as if the payment, discharge, avoidance or reduction had not occurred; and
- (b) the Transporter shall be entitled to recover the value or amount of that security or payment from the Company and the Guarantor, as if the payment, discharge, avoidance or reduction had not occurred.

4. **Waivers**

4.1 Waivers of defences

The obligations of the Guarantor under this Guarantee will not be affected by an act, omission, matter or thing which, but for this Clause 4, would reduce, release or prejudice any of its obligations under this Guarantee (without limitation and whether or not known to it or the Transporter) including:

- (a) any time, waiver, indulgence or consent granted to, or composition with, the Company or other person;
- (b) the release of the Company or any other person under the terms of any composition or arrangement with any creditor of the Company or any other person;
- (c) the taking, variation, compromise, exchange, renewal or release of, or failure to take, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, the Company or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of the Company or any other person;
- (e) any amendment (however fundamental) or replacement of the Agreement[s] or any other document or security or the Guaranteed Obligations (including, without limitation, any increase or decrease in the amount of the Guaranteed Obligations);
- (f) any unenforceability, illegality, ineffectiveness or invalidity of any obligation of the Company (including, without limitation, the Guaranteed Obligations) or any other person under the Agreement[s] or any other document or security;
- (g) any change in financial condition of the Guarantor, the Company or the Transporter, or any insolvency or similar proceedings taken in respect of the Guarantor, the Company or the Transporter or any change in status, function, control or ownership of any such person; or

- (h) any other act, event or omission whatsoever which, but for this clause 4.1 might operate to discharge, impair or otherwise affect any of the obligations of the Guarantor herein contained or any of the rights, powers or remedies conferred upon the Transporter by this Guarantee.

4.2 Waivers re actions in respect of the Company

The Guarantor waives any right to have the Company joined with the Guarantor in any suit brought against the Guarantor on, pursuant to or in connection with this Guarantee, and waives any right to have a judgment rendered on, pursuant to or in connection with the Agreement[s] or this Guarantee against the Company before a judgment may be rendered against the Guarantor.

5. **Immediate recourse**

The Guarantor waives any right it may have of first requiring the Transporter to proceed against or enforce any other rights or security or claim payment from any person (including, without limitation, the Company) before claiming from the Guarantor under this Guarantee. This waiver applies irrespective of any law or any provision of the Agreement[s] to the contrary.

6. **Appropriations**

Until all amounts which may be or become payable by the Company under or in connection with the Guaranteed Obligations have been irrevocably paid in full, the Transporter may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by it in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability under this Guarantee.

7. **Deferral of Guarantor's rights**

Until all amounts which may be or become payable by the Company under or in connection with the Guaranteed Obligations have been unconditionally and irrevocably paid, discharged and satisfied in full and unless the Transporter otherwise directs, the Guarantor will not take or receive the benefit of any security from the Company or any other person or exercise any rights which it may have by reason of performance by it of its obligations under this Guarantee:

- (a) to apply any credit balance (whether or not due) to which it is entitled, to combine or consolidate all or any accounts, to counterclaim or to transfer any sum;
- (b) to set-off any obligation or sum (contingent or actual);
- (c) to be indemnified by, or to claim payment from, the Company;

- (d) to claim any contribution from any other guarantor or obligor of the Guaranteed Obligations;
- (e) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Transporter under the Agreement[s] or of any other guarantee or security taken pursuant to, or in connection with, the Guaranteed Obligations; and/or
- (f) to prove in a liquidation, receivership, examinership, administration or other insolvency proceedings or procedure of or relating to the Company.

If any of the same is taken or exercised or the Guarantor receives the benefit of the same, the Guarantor agrees to deposit the same (or an amount equal to the value of the same) with the Transporter and, pending such deposit, the same shall be held on trust for the Transporter as a continuing security for the Guaranteed Obligations.

8. **Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by the Transporter.

9. **Payments**

9.1 No Tax Deduction

The Guarantor shall make all payments to be made by it under this Guarantee without any Tax Deduction, unless a Tax Deduction is required by law. The Guarantor shall promptly upon becoming aware that it must make a Tax Deduction (or that there is a change in the rate or the basis of a Tax Deduction), notify the Transporter accordingly.

9.2 Gross-up

If a Tax Deduction is required by law to be made by the Guarantor, the amount of the payment due from the Guarantor will be increased to an amount which (after making the Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required. If the Guarantor is required to make a Tax Deduction, it must make the minimum Tax Deduction and must make any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

9.3 No set-off

All payments made by the Guarantor under this Guarantee must be made without set-off or counter claim.

9.4 Payment definitions

For the purposes of this Guarantee:

- (a) “**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same); and

- (b) “**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under this Guarantee.

10. **Representations**

The Guarantor hereby represents and warrants to the Transporter as follows:

- (a) it is [a]/[an] limited liability [company]/[corporation], duly incorporated and validly existing [and in good standing] under the laws of [•];
- (b) it has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, this Guarantee;
- (c) the obligations expressed to be assumed by it in this Guarantee are, subject to any general principles of law limiting its obligations, legal, valid, binding and enforceable obligations;
- (d) it has an Approved Credit Rating; and it shall notify the Transporter promptly upon becoming aware that:
 - (i) it has (or its long term debt obligations have) been placed on negative credit watch by any of the credit rating agencies;
 - (ii) its long term debt obligations have been downgraded by a credit rating agency;
 - (iii) it has ceased to have an Approved Credit Rating; or
 - (iv) its long term debt obligations no longer have a credit rating;
- (e) the entry into and performance by it of this Guarantee do not conflict with any law or regulation applicable to it or its constitutional documents;
- (f) all consents and authorisations required to enable it lawfully to enter into and comply with its obligations in this Guarantee and to make this Guarantee admissible in evidence in Ireland and its jurisdiction of incorporation, have been obtained or effected and are in full force and effect;
- (g) the choice of Irish law as the governing law of this Guarantee will be recognised and enforced in its jurisdiction of incorporation;
- (h) any judgment obtained in Ireland in relation to this Guarantee will be recognised and enforced in its jurisdiction of incorporation;
- (i) it is not required under the law of its jurisdiction of incorporation to make any deduction for or on account of tax from any payment it may make under this Guarantee;
- (j) under the law of its jurisdiction of incorporation it is not necessary that this Guarantee be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to this Guarantee; and

(k) the Company is, and will remain, a wholly owned subsidiary of the Guarantor].

11. **Set-off**

The Guarantor agrees that the Transporter may, and authorises the Transporter to, at any time that a payment falls due under this Guarantee without notice (and notwithstanding any settlement of account or other matter whatsoever) set-off any obligation due from the Guarantor to the Transporter against any obligation owed by the Transporter to the Guarantor regardless of the place of payment or currency of either obligation.

12. **Loss of Approved Credit Rating – Replacement of Guarantee**

If at any time the Guarantor ceases to have an Approved Credit Rating, the Guarantor shall procure forthwith the issue to the Transporter of a replacement form of Security Cover in accordance with the Financial Security Policy.

13. **Enforcement costs**

The Guarantor shall pay, on demand, to the Transporter the amount of all costs and expenses (including legal fees) incurred by the Transporter in connection with the enforcement of, or the preservation of any rights under, this Guarantee.

14. **Currency indemnity**

(a) If any sum due from the Guarantor under this Guarantee (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:

- (i) making or filing a claim or proof against the Guarantor;
- (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Guarantor shall as an independent obligation, on demand, indemnify the Transporter against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency, and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) The Guarantor waives any right it may have in any jurisdiction to pay any amount under this Guarantee in a currency or currency unit other than that in which it is expressed to be payable.

15. **Notices**

Any communication or notification given or made in connection with this Guarantee shall be in accordance with the Financial Security Policy.

16. **Assignment or Transfer**

16.1 Guarantor

The Guarantor may not assign any of its rights or transfer by novation any of its rights or obligations under or in connection with this Guarantee without the prior written consent of the Transporter.

16.2 Transporter

The Transporter may assign any of its rights or transfer by novation any of its rights or obligations under or in connection with this Guarantee without the consent of the Guarantor or the Company.

17. **Partial Invalidity**

If, at any time, any provision of this Guarantee is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired.

18. **Termination**

Subject to Clause 3 (*Reinstatement*), this Guarantee shall remain in full force and effect until receipt by the Guarantor of written notice of termination sent from the Transporter by notice in writing to the Guarantor. No such termination shall release the Guarantor from liability for indebtedness actually or contingently subject to this Guarantee at the time of such termination.

19. **Governing Law**

This Guarantee is governed by, and shall be construed in accordance with, Irish law.

20. **Enforcement**

20.1 Jurisdiction of Irish courts

The courts of Ireland have exclusive jurisdiction to settle any dispute arising out of or in connection with this Guarantee (including a dispute regarding the existence, validity or termination of this Guarantee) (a "**Dispute**"). The Guarantor agrees that the courts of Ireland are the most appropriate and convenient courts to settle Disputes and accordingly it will not argue to the contrary.

20.2 Service of process

Without prejudice to any other mode of service permitted under any relevant law, the Guarantor irrevocably appoints [the Company] / [[•] of [•]] as its agent for service of process in relation to any proceedings before the Irish courts in connection with this Guarantee, and agrees that failure by the process agent to notify the Guarantor of the process will not invalidate the proceedings concerned.

21. **Counterparts**

This Guarantee may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Guarantee.

IN WITNESS WHEREOF, the Guarantor has caused this Guarantee to be duly executed and delivered by its [authorised representative]/[attorney], to be effective as of the date set forth below.

QUALIFYING GUARANTEE - EXECUTION PAGE

[Present when the Common Seal
of [*Guarantor*]
was affixed hereto:

Director

Director/Secretary]

[*or*]

[Executed as a Deed

By: _____

[*name & position*]

for and on behalf of

[*Guarantor*]

Address: [•]

Attention: [•]

Fax no.: [•]

[TRANSPORTER]

By: _____

[•]

Address: [Gasworks Road, Cork, Ireland]

Attention: [•]

Fax no.: +353 21 5006101

APPENDIX 5

PRO FORMA ACCOUNT CHARGE

GAS NETWORKS IRELAND

POLICY NO. FS01

FINANCIAL SECURITY PACKAGE

PRO FORMA ACCOUNT CHARGE

THIS CHARGE is made on 20[]

BETWEEN

- (1) [•], a company incorporated under the laws of [Ireland] having its [registered office at [•] and] principal place of business at [•] (the “**Chargor**”); and
- (2) [TRANSPORTER], having its registered office at Gasworks Road, Cork, Ireland (the “**Transporter**”).

THIS CHARGE WITNESSES as follows:

1. DEFINITIONS AND INTERPRETATION

Definitions

- 1.1 In this Charge, unless the context otherwise requires, the following expressions shall have the following meanings:

“**Account**” means the account number [•] held in the name of the Chargor with the Account Bank [*insert full details of account*] as renumbered or redesignated from time to time;

“**Account Balance**” means the balance for the time being and from time to time standing to the credit of the Account together with all interest thereon and the debt represented thereby;

“**Account Bank**” means [•] or such replacement account bank as the Transporter may in its absolute discretion nominate from time to time;

“**Act**” means the Land and Conveyancing Law Reform Act 2009;

“**Agreement[s]**” means [*specify the gas transportation agreements [and ancillary agreements and documents]*] [to be] entered into between the Transporter and the [Chargor];

“**Charged Property**” means the debt owed by the Account Bank to the Chargor represented by the Account Balance, and references to the Charged Property include references to any part thereof;

“**Enforcement Event**” means a failure by the Chargor to make payment on a due date under or in connection with the Agreement[s];

“**Financial Security Policy**” means Policy [FSO1], Financial Security Policy published by the Transporter from time to time and approved by the Commission for Energy Regulation;

“**Secured Obligations**” has the meaning given to it in Clause 2;

“**Security**” means any Security Interest created, evidenced or conferred by or under this Charge;

“**Security Interest**” means any mortgage, pledge, lien, charge, assignment, hypothecation or security interest or any other agreement or arrangement having a similar effect; and

“**Security Period**” means the period beginning on the date of this Charge and ending on the date on which all the Secured Obligations have been unconditionally and irrevocably paid and discharged in full.

Interpretation

1.2

- (a) Unless a contrary indication appears, any reference in this Charge to:
 - (i) the “**Transporter**”, the “**Chargor**” or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) an “**amendment**” includes a supplement, novation, restatement or re-enactment and “**amended**” will be construed accordingly;
 - (iii) a “**Clause**” or the “**Schedule**” shall be construed as a reference to a clause of or the schedule to this Charge;
 - (iv) the Agreement[s], this “**Charge**” or any other agreement or instrument is a reference to the same as amended, restated, supplemented and/or novated from time to time;
 - (v) “**encumbrance**” includes a mortgage, charge, pledge, lien, hypothecation, assignment or deposit by way of security or any other encumbrance or security interest of any kind (other than a lien arising in the ordinary course of business by operation of law) or any other type or preferential arrangement having a similar effect;
 - (vi) a “**person**” includes any person, firm, company, body corporate, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) of two or more of the foregoing;
 - (vii) any statute or provision of any statute shall be deemed also to refer to any statutory modification, substitution or re-enactment thereof or any statutory instrument, order, regulation, bye-law, permission or direction made thereunder or under such modification, substitution or re-enactment; and
 - (viii) a time of day is a reference to Irish time;
- (b) Clause headings are for ease of reference only and shall not affect the construction.
- (c) words denoting the singular number only shall include the plural number also and vice versa; and
- (d) words denoting one gender only shall include the other gender.

2. COVENANT TO PAY

The Chargor hereby irrevocably covenants to pay and discharge, as and when due and payable, all amounts and liabilities which are now or hereafter become due, owing or payable by it to the Transporter, whether actually or contingently, as principal or as surety, solely or jointly and/or severally with others, whether in respect of principal, interest, fees, expenses or otherwise, under or in connection with the Agreement[s] together with all sums arising under Clause 12 (*Costs and Expenses*) (all such amounts and liabilities together the “**Secured Obligations**”).

3. CHARGE

The Chargor, as beneficial owner and as continuing security for the payment and discharge of the Secured Obligations, hereby charges by way of first fixed charge to the Transporter all of its present and future rights, title, benefit and interest in and to the Charged Property.

4. PERFECTION OF SECURITY AND FURTHER ASSURANCE

4.1 The Chargor shall at any time, at the request of the Transporter but at the cost of the Chargor, promptly sign, seal, execute, deliver and do all such deeds, instruments, acts and things in such form as the Transporter may reasonably require for creating, perfecting or protecting any Security intended to be created by or pursuant to this Charge or for facilitating the realisation thereof or the exercise of any and all powers, authorities and discretions exercisable by the Transporter or any of its delegates or sub-delegates in respect of the Charged Property. This includes, without limitation:

- (a) the execution of any transfer, conveyance, assignment or assurance of any property, whether to the Transporter or to its nominee; or
- (b) the giving of any notice, order or direction and the making of any registration,

which, in any such case, the Transporter may think expedient.

4.2 Without prejudice to the generality of the foregoing, the Chargor undertakes that immediately upon execution of this Charge it will give notice in writing of the security hereby created to the Account Bank and will use its best endeavours to obtain promptly from the Account Bank an acknowledgement of such security substantially in the form set out in the Schedule. The Chargor will provide a copy of such notice and an original of such acknowledgement forthwith to the Transporter.

5. REPRESENTATIONS

5.1 The Chargor hereby represents and warrants to the Transporter that:

- (a) it is a [company] duly incorporated and existing under the laws of [Ireland];
- (b) it is the sole legal and beneficial owner of the Charged Property and it has and will at all times have full power to own the Charged Property and to enter into, deliver and perform its obligations under, and create the Security contemplated by, this Charge;
- (c) the Charged Property is free from any Security Interest (except for those created under this Charge) and any other rights or interests in favour of third parties;
- (d) all necessary corporate, shareholder and other action needed to permit it to execute and deliver this Charge, to perform its obligations hereunder and to create the security contemplated hereby has been taken;
- (e) this Charge constitutes its legal, valid, binding and enforceable obligations;
- (f) all authorisations, consents, registrations and notifications which must be obtained in connection with its execution and performance of this Charge and the creation of security under this Charge have been obtained or made and are in full force and effect;

- (g) its execution of, compliance with its obligations under, and the creation of security under, this Charge do not and will not:
 - (i) conflict with its constitutional documents;
 - (ii) conflict with any law or regulation binding on it;
 - (iii) conflict with or result in default under any agreement or instrument to which it is party or which is binding on it or any of its assets; or
 - (iv) result in the creation of any security interest over any of its assets (other than in favour of the Transporter pursuant to this Charge);
- (h) all consents and authorisations required to make this Charge admissible in evidence in Ireland and its jurisdiction of incorporation, have been obtained or effected and are in full force and effect;
- (i) the choice of Irish law as the governing law of this Charge will be recognised and enforced in its jurisdiction of incorporation;
- (j) any judgment obtained in Ireland in relation to this Charge will be recognised and enforced in its jurisdiction of incorporation;
- (k) it is not necessary that this Charge be filed, recorded or enrolled with any court or other authority in any jurisdiction, or that any stamp, registration or similar tax be paid on or in relation to this Charge; and
- (l) this Charge creates those Security Interests it purports to create and is not liable to be avoided or otherwise set aside on its liquidation, examination or administration or otherwise.

5.2 The representations set out in this Charge (including in this Clause) are made on the date of this Charge. Each representation under this Charge is deemed to be repeated by the Chargor on each date during the Security Period. When a representation is deemed to be repeated, it is applied to the circumstances existing at the time of repetition.

6. COVENANTS

- 6.1 The Chargor shall [open the Account and] maintain the Account until the security created by this Charge has been irrevocably released and undertakes to comply with all undertakings given by it to the Transporter from time to time in respect of the Charged Property.
- 6.2 Subject to Clause 15 (*Security Cover*), the Chargor hereby covenants that the Account Balance shall at all times be equal to or greater than the aggregate of all present and future Secured Obligations.
- 6.3 The Chargor agrees and undertakes that, until the security created by this Charge has been irrevocably released, it will not:
 - (a) assign, sell, transfer or otherwise dispose of all or any of its rights, title, benefit and/or interest in or to the Account or the Account Balance; or
 - (b) deal with or withdraw or transfer the Account Balance (or any part thereof), or direct that any payment be made from the Account or to any person[, except as permitted by Clause 6.4]; or

- (c) create (or attempt to create) or permit to arise or subsist any Security Interest on or over the Charged Property (or any part thereof) or any other interest in it, or permit anyone else to do so; or
- (d) do, or cause or permit to be done, anything which may in any way depreciate, jeopardise or otherwise prejudice the Transporter's security (or the nature or priority thereof) or the value of the Charged Property to the Transporter,

except as expressly required or permitted under this Charge or permitted in writing by the Transporter.

6.4 Interest which has been credited to the Account Balance may be released to the Chargor with the prior consent in writing of the Transporter following receipt of a written request from the Chargor *provided that* the Transporter is satisfied (in its absolute discretion) that no Enforcement Event has occurred and the Account Balance is not at any time reduced below the level required under Clause 6.2.

6.5 The Chargor shall promptly inform the Transporter of any event as soon as it becomes aware of the same, or of the receipt of any notice (including, without limitation, any notice issued under section 1002 of the Taxes Consolidation Act 1997), which may effect the fulfilment by the Chargor of any of its covenants or obligations hereunder or the security.

7. CONTINUING SECURITY ETC.

Continuing security

7.1 The Security:

- (a) shall be a continuing security for the Secured Obligations and shall not be considered as satisfied or discharged by any intermediate payment or settlement of the whole or any part of the Secured Obligations;
- (b) is in addition to, and shall not merge with, or otherwise prejudice or affect, any contractual or other right or remedy or any guarantee, lien, pledge, encumbrance, bill, note, mortgage or other security (whether created by the deposit of documents or otherwise) now or hereafter held by, or available to, the Transporter for or in respect of the Secured Obligations or any other obligations whatsoever; and
- (c) shall not be in any way prejudiced or affected by any act, omission, matter or thing which, but for this clause 7.1(c), would reduce, release or prejudice any of its obligations under this Charge including:
 - (i) any time, waiver, consent, indulgence or concession granted to, or composition with, the Chargor or any other person;
 - (ii) the exchange, variation or release of, or refusal or neglect to perfect or enforce, the Security or any rights which the Transporter may now or hereafter have or any failure to realise the full value of any of the Charged Property;
 - (iii) any incapacity or lack of power, authority or legal personality of, or dissolution or change in the members or status or constitution of, the Chargor or any other person;

- (iv) any amendment, extension, restatement (in each case, however fundamental and whatsoever nature) or replacement of any document or security including any change in the purpose of, any extension of, or any increase in, any facility or the addition of any new facility under any document or security;
- (v) any unenforceability, illegality or invalidity of:
 - (A) the Secured Obligations; and
 - (B) any security, guarantee, indemnity, remedy or other right held by, or available to, the Transporter;
- (vi) any insolvency or similar proceedings; or
- (vii) any act, event or omission which, but for this clause 7.1(c) would or might have discharged, or otherwise prejudiced or affected, the liability of the Chargor.

7.2 Until the Security has been released in accordance with the terms of this Charge, the Chargor:

- (a) waives any right it might have to require the Transporter to enforce any security or other right, or claim any payment from, or otherwise proceed against, any other person before enforcing this Charge against the Chargor; and
- (b) agrees not to claim any set-off or counter claim against the Transporter;

7.3 If the Chargor acts in breach of this clause, anything so received and any benefit derived directly or indirectly by it therefrom shall be held in trust for the Transporter as a continuing security for the Secured Obligations.

Subsequent charges and new accounts

7.4 If the Transporter shall at any time receive or be deemed to have received notice of any subsequent mortgage, charge or interest affecting the Charged Property or any assignment or transfer thereof which is prohibited by the terms of this Charge:

- (a) the Transporter may open a new account or accounts for the Chargor in its books; and
- (b) if the Transporter does not in fact open such new account, then unless it gives express written notice to the Chargor to the contrary, the Transporter shall be treated as if it had in fact opened such account or accounts at the time when it received or was deemed to have received such notice,

and as from such time and when such express written notice shall be given to the Chargor, all payments by or on behalf of the Chargor to the Transporter shall be credited or treated as having been credited to such new account or accounts and not as having been applied in reduction of the Secured Obligations at such time

Suspense Account

- 7.5 All monies received by the Transporter under this Charge:
- (a) may, at the discretion of the Transporter, be credited to an interest-bearing suspense account;
 - (b) may be held in that account for such period as the Transporter thinks fit.
- 7.6 If the Security is enforced at a time when no amount is due to the Transporter but at a time when amounts may or shall become due, the Transporter may pay the proceeds of any recoveries effected by it into such number of interest-bearing suspense accounts as it considers appropriate.
8. **ENFORCEMENT**
- 8.1 The security created by this Charge shall become enforceable immediately upon and at any time following the occurrence of an Enforcement Event, and thereupon and at any time thereafter, without prior notice or further demand to the Chargor or any other person and without the restrictions contained in the Act:
- (a) the power of sale and other powers conferred on mortgagees by the Act (as varied or extended by this Charge) and by law shall be immediately exercisable; and
 - (b) the Transporter shall be entitled to enforce the Security, to take possession of and hold all or any part of the Charged Property and to exercise all its rights, powers and remedies as chargee of the Charged Property and all of the rights which the Chargor would (but for this Charge) have been entitled to exercise in respect thereof; and
 - (c) without limiting any other right of set-off or of combining accounts or any similar right to which the Transporter may be entitled (including rights under the Agreement[s] or any other contract between the Transporter and the Chargor), the Transporter shall be entitled to any time following an Enforcement Event and without notice to the Chargor to:-
 - (i) set-off all or any part of the Secured Obligations (whether or not then due and payable by the Chargor) against the obligations and liabilities of the Transporter under or in respect of the Agreement[s]; and/or
 - (ii) apply or appropriate the Charged Property in or towards the payment or discharge of the Secured Obligations.
- 8.2 The restrictions on the power of sale contained in section 100 of the Act shall not apply to this Charge. The notification requirement contained in section 103(2) of the Act shall not apply to this Charge. The Chargor shall not take any action under section 94 of the Act in respect of the Charged Property, this Charge or the Secured Obligations.
- 8.3 Notwithstanding anything to the contrary contained in the Act, the Transporter reserves the right to consolidate mortgage securities without restriction.
- 8.4 Without prejudice to the generality of the foregoing and notwithstanding anything contained in this Charge:

- (a) the exercise by the Transporter of the powers and rights conferred on it by virtue of the provisions of Chapter 3 of Part 10 of the Act shall not be subject to any restriction on such exercise contained in section 96(1)(c) of the Act;
- (b) the restrictions on taking possession of mortgaged property contained in section 97 of the Act shall not apply to this Charge; and
- (c) section 99(1) of the Act shall not apply to this Charge and any obligations imposed on mortgagees in possession or receivers by virtue of the application of section 99(1) shall not apply to the Transporter.

8.5 The powers given to mortgagees and receivers by the Act and general law shall apply to the security constituted by this Charge except insofar as they are expressly or impliedly excluded, and where there is ambiguity or conflict between the powers given by the Act or law and those contained in this Charge, those contained in this Charge shall prevail.

8.6 In exercising its powers of enforcement, the Charged Property or any part of or interest in it may be sold or disposed of at such times, in such way, on such terms and conditions and for such consideration as the Transporter may think fit. Any such sale or disposal may be made for cash, shares, stock, securities or other valuable consideration, payable immediately or by such instalments as the Transporter shall think fit. Any dividends, interest or other payments received or receivable by the Transporter in respect of the Charged Property may be applied by the Transporter as though they were proceeds of sale and the provisions of the Act shall be deemed to be extended accordingly.

9. PROTECTION OF PURCHASERS

9.1 No purchaser from, or other person dealing with, the Transporter shall be obliged or concerned to enquire whether any of the powers which it has exercised or purported to exercise in respect of the Charged Property has arisen or become exercisable, whether the Secured Obligations remain outstanding, whether any event has happened to authorise the Transporter to act, or as to the validity of the exercise or purported exercise of any such power; and the title of such a purchaser and the position of such a person shall not be impeachable by reference to any of those matters and the protection to purchasers contained in sections 104, 105 and 106(1) of the Act shall apply to any person purchasing from, or dealing with, the Transporter or any receiver. The receipt of the Transporter shall be an absolute and conclusive discharge to any purchaser and shall relieve him of any obligation to see to the application of any monies paid to, or by the direction of, the Transporter.

In this Clause 9.1, “**purchaser**” includes any person acquiring, for money or money’s worth, any encumbrance over, or any other interest or right whatsoever in relation to, the Charged Property or any part thereof.

10. LIABILITY OF THE TRANSPORTER IN POSSESSION

10.1 If the Transporter shall enter into possession of the Charged Property, the Transporter may, from time to time at pleasure, go out of such possession.

10.2 The Transporter shall not, in any circumstances either by reason of any entry by it into, or taking by it of possession of, the Charged Property or for any other reason whatsoever and whether as mortgagee in possession or on any other basis whatsoever, be liable to account to the Chargor for anything except the Transporter’s own actual receipts or be liable to the Chargor for any loss or damage arising from any realisation by the Transporter of the Charged Property or from any act, default or omission of the Transporter in relation to the Charged Property or from any exercise or non-exercise by the Transporter of any power,

authority or discretion conferred upon it in relation to the Charged Property by or pursuant to this Charge or by the Act unless such loss or damage shall be caused by the Transporters own fraud or gross negligence.

- 10.3 The Chargor shall indemnify the Transporter against all actions, claims, demands, losses, expenses or liabilities of whatever nature now or hereafter incurred by them or by any officer, agent or employee for whose liability act or omission they or any of them may be answerable for anything done or omitted in the exercise or purported exercise of the powers contained in this Charge or occasioned by any breach by the Chargor of any of its covenants or other obligations to the Transporter unless such loss or damage shall be caused by the Transporters own fraud or wilful neglect or gross negligence.

11. APPLICATION OF PROCEEDS

- 11.1 Amounts which the Transporter receives in exercising its powers under this Charge shall be applied, after discharge of all liabilities having priority thereto, in the following order of priority:

- (a) in satisfaction of all costs, charges and expenses incurred and payments made by the Transporter;
- (b) in or towards discharge of the Secured Obligations or such part of them as is then payable and in such order as the Transporter in its absolute discretion determines (except that GMO may credit any such amounts to a suspense account for so long and in such manner as it thinks prudent); and
- (c) as to the surplus (if any) to the person or persons entitled thereto.

- 11.2 The provisions of clause 11.1 shall take effect as and by way of variation to the provisions of sections 106(3), 107 and 109 of the Act which provisions as so varied and extended shall be deemed incorporated herein and as regards section 109 as if they related to a receiver of the Charged Property and not merely a receiver of the income thereof.

12. COSTS AND EXPENSES

- 12.1 The Chargor agrees and undertakes to indemnify the Transporter and keep the Transporter indemnified on demand and on a full after-tax indemnity basis for and against:

- (a) all losses, costs, charges, expenses, fees (including, without limitation, legal fees), demands, liabilities, claims, actions, damages and penalties arising out of or incurred in connection with:
 - (i) the failure of the Chargor to make due and punctual payment of any amounts under or in connection with the Agreement[s] or any other Secured Obligation;
 - (ii) the actions of the Transporter (or any agent on its behalf) in enforcing or endeavouring to enforce the payment of any Secured Obligations or the obligations of the Chargor under this Charge;
 - (iii) the actions of the Transporter or any agents on its behalf) in preserving or endeavouring to preserve its rights under this Charge; and
 - (iv) failure by the Chargor to perform its obligations or discharge or satisfy its liabilities under this Charge; and

- (b) all reasonable costs, charges and other out-of-pocket expenses (including, without limitation, all legal expenses) from time to time incurred by the Transporter in any way in connection with this Charge and all stamp and other duties payable on or in respect of this Charge.
- 12.2 The Chargor shall pay and, within 5 days of demand, indemnify the Transporter against any cost, loss or liability that the Transporter incurs in relation to all stamp duty, registration and other similar taxes payable in respect of this Charge.
- 12.3 If any sum due from the Chargor under this Charge (a “**Sum**”), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the “**First Currency**”) in which that Sum is payable into another currency (the “**Second Currency**”) for the purpose of:
 - (a) making or filing a claim or proof against the Chargor;
 - (b) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Chargor shall as an independent obligation, on demand, indemnify the Transporter against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency, and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum. The Chargor waives any right it may have in any jurisdiction to pay any amount under this Charge in a currency or currency unit other than that in which it is expressed to be payable.
- 12.4 The provisions of this Clause 12 shall survive any release of the security granted hereunder and termination of this Charge.
- 13. **POWER OF ATTORNEY**
- 13.1 The Chargor, by way of security for the payment and discharge of the Secured Obligations and the performance of its obligations under this Charge, hereby irrevocably appoints the Transporter as its true and lawful attorney (with full power to appoint substitutes and to sub-delegate) on behalf and in its name or otherwise, at any time and from time to time, to execute all documents and take all actions which the Transporter, in its absolute discretion, considers necessary or advisable to perfect its security over the Charged Property or (after an Enforcement Event) to enforce its security or to enable it to exercise or assist it in exercising its rights and powers under this Charge and its rights or powers under general law as holder of a charge on the Charged Property.
- 13.2 The Chargor hereby ratifies and confirms and agrees to ratify and confirm all transactions and actions which any such attorney, delegate or substitute may (or purport to) execute, enter into or do by virtue of Clause 13.1, and agrees to reimburse (or put the Transporter in funds to reimburse) the attorney, delegate or substitute for any expenses incurred in connection therewith.
- 14. **RELEASE**
- 14.1 Once the Secured Obligations have been indefeasibly discharged in full, and provided that the Chargor has no further obligations to the Transporter, and the Transporter has no obligation to advance any further amounts or make further facilities available to the Chargor, the Transporter shall at the request and cost of the Chargor release this Charge and execute

such documents as the Chargor may reasonably request to effect or perfect such release, subject to the provisions of Clause 14.2.

- 14.2 Any release, discharge or settlement between the Chargor and the Transporter shall be conditional upon no security, disposition or payment to the Transporter by the Chargor or any other person being void, set aside or ordered to be refunded pursuant to any enactment of law relating to bankruptcy, liquidation, administration, examinership or insolvency or for any other reason whatsoever, and if such condition shall not be fulfilled, the Transporter shall be entitled to enforce this Charge subsequently to the full extent of the Secured Obligations as if such release, discharge or settlement had not occurred and any such payment had not been made.
- 14.3 The Transporter may, in its absolute discretion, retain the Security for a period of one week plus such statutory period within which such security, disposition or payment can be avoided, set aside or ordered to be refunded after the Secured Obligations have been paid or discharged in full, notwithstanding any release, discharge or settlement given or made by the Transporter on, or as a consequence of, such termination of liability.
- 14.4 The Transporter shall be entitled to concede or compromise in good faith any claim that any such payment or security is liable to avoidance or repayment.

15. **SECURITY COVER**

- 15.1 This Charge is made [to satisfy]/[in part satisfaction of] the obligation(s) of the Chargor under the Agreement[s] to provide or procure Security Cover (as defined in the Financial Security Policy).
- 15.2 The Chargor shall have the right at any time, upon [30 days'] prior written notice in writing to the Transporter, to offer alternative or substitute collateral as Security Cover. Any such alternative collateral must be in form and substance satisfactory to the Transporter (at its discretion but consistent with the provisions relating to Security Cover as set out in the Financial Security Policy).

16. **NOTICES and COMMUNICATION**

Any communication or notification given or made by a party under this Charge shall be in accordance with the Financial Security Policy.

17. **ASSIGNMENT**

- 17.1 The Chargor may not assign, transfer, declare trusts over or otherwise deal with any of its rights or obligations under this Charge without the Transporter's prior written consent.
- 17.2 The Transporter may assign, transfer and/or declare trusts over its rights and obligations under this Charge without the consent of the Transporter.
- 17.3 This Charge shall be binding upon and inure to the benefit of the Transporter and the Transporter and their respective successors and permitted assigns.

18. **MISCELLANEOUS**

Rights cumulative, no waiver

- 18.1 Failure by the Transporter to exercise any right, or delay in doing so, will not operate as a waiver of that right; and a failure or delay in exercising, or a single or partial exercise of any

right, power, privilege or remedy does not preclude any exercise of further exercise of that (or any other) right, powers and remedies provided by law.

Certificate conclusive

- 18.2 In any action, proceedings or claim relating to this Charge or the security created by this Charge, a certificate as to any amount due to the Transporter signed by an officer of the Transporter shall, except in the case of manifest error, be conclusive and binding on the Chargor.

Partial invalidity

- 18.3 If, at any time, any provision of this Charge is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired.

19. **GOVERNING LAW**

This Charge is governed by, and shall be construed in accordance with, Irish law.

20. **ENFORCEMENT**

Jurisdiction of Irish courts

- 20.1 [The courts of Ireland have exclusive jurisdiction to settle any dispute arising out of or in connection with this Charge (including a dispute regarding the existence, validity or termination of this Charge) (a "**Dispute**"). The Chargor agrees that the courts of Ireland are the most appropriate and convenient courts to settle Disputes and accordingly it will not argue to the contrary.]

[Service of process

- 20.2 Without prejudice to any other mode of service permitted under any relevant law, the Chargor irrevocably appoints [•] of [•] as its agent for service of process in relation to any proceedings before the Irish courts in connection with this Charge, and agrees that failure by the process agent to notify the Chargor of the process will not invalidate the proceedings concerned.]

21. **COUNTERPARTS**

This Charge may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Charge.

IN WITNESS WHEREOF, the Chargor has caused this Charge to be duly executed as a deed [under its Common Seal] and delivered on the date first set forth above.

EXECUTION PAGE - ACCOUNT CHARGE

[Present when the Common Seal
of [*Chargor*]
was affixed hereto and this deed was delivered:

Director

[Director]/[Secretary]

[or]

[Executed as a Deed
By: _____
[name & position]
for and on behalf of
[Chargor]

Address: [•]

Attention: [•]

Fax no.: [•]

GAS NETWORKS IRELAND

By: _____
[•]

Address: Gaswork's Road, Cork, Ireland

Attention: []

Fax no.: +353 21 5006101

SCHEDULE

FORM OF NOTICE AND ACKNOWLEDGEMENT

Notice to Account Bank

To: [Bank] [Date]

Dear Sirs

We refer to our account with you numbered [•] (the “**Account**”). We hereby give you notice that by an account charge dated [•] we have charged by way of first fixed charge to [TRANSPORTER] (the “**Transporter**”) all our present and future rights, title, interest and benefit in and to the Account and the balance for the time being and from time to time standing to the credit of the Account together with all interest thereon and the debt represented thereby (the “**Account Balance**”).

We irrevocably instruct and authorise you from time to time and at any time without reference to or further authority from us and without any enquiry by you as to the justification for any such matter:-

- (c) to disclose to the Transporter such information relating to the Account and the Account Balance as the Transporter may request you to disclose to it;
- (d) to provide the Transporter with copies of all statements relating to the Account and the Account Balance;
- (e) to hold the Account Balance and all sums of money (whether representing principal or interest) standing to the credit of the Account to the order of the Transporter;
- (f) to pay or release all or any part of the Account Balance and the sums (whether representing principal or interest) standing to the credit of the Account in accordance with the written instructions of the Transporter;
- (g) to comply with the terms of any written notice or instructions in any way relating to or purporting to relate to the Account, the Account Balance or the sums (whether representing principal or interest) standing to the credit of the Account or the debt represented thereby which you may receive from the Transporter.

These instructions are not to be revoked or varied without the prior written consent the Transporter.

This letter is governed by Irish law.

Please confirm your agreement to the above by sending the attached acknowledgement to the the Transporter with a copy to ourselves.

Yours faithfully

[Chargor]

Acknowledgement to the Transporter

To: [TRANSPORTER]
Gaswork's Road, Cork, Ireland

[Date]

Dear Sirs

re: [•] (the "Chargor")

We acknowledge receipt of a notice dated [•] of an account charge in your favour dated [•] (the "Notice") of all the Chargor's present and future rights, title, benefit and interest in and to its account number [•] with us (the "Account") and the balance for the time being and from time to time standing to the credit of the Account together with all interest thereon and the debt represented thereby (the "Account Balance").

We confirm that:

- (a) we accept the instructions and authorisations contained in the Notice and we undertake to act in accordance and comply with the terms of the Notice;
- (b) we shall to disclose to you such information relating to the Account and the Account Balance as you may request and provide you with copies of all statements relating to the Account and the Account Balance;
- (c) we shall not permit the whole or any part of the Account Balance to be withdrawn except on your written instructions or with your prior written consent;
- (d) the sum of €[•] stands to the credit of the Account as at the date of this letter;
- (e) we have not received notice of any right or interest of any third party in the Account or the Account Balance and we shall forthwith give you notice of any such actual or potential right or interest of which we become aware;
- (f) we have neither claimed or exercised nor will claim or exercise any security interest, set-off, counterclaim or other rights in respect of the Account or the Account Balance.

We are aware that you are relying on this letter in connection with your rights under the above-mentioned account charge.

This letter is governed by Irish law.

Yours faithfully

[Account Bank]

APPENDIX 6

PRO FORMA DIRECTOR'S CERTIFICATE

GAS NETWORKS IRELAND

POLICY NO. FS01

FINANCIAL SECURITY PACKAGE

PRO FORMA DIRECTOR'S CERTIFICATE

PRO FORMA DIRECTOR'S CERTIFICATE

[NAME OF COMPANY]

[DIRECTOR'S]/[SECRETARY'S] CERTIFICATE

To: [Transporter]

I, _____, a director/secretary of [insert name of Company], a [insert legal nature of the Company] incorporated under the laws of [•] (the "**Company**"), hereby certify that:

- (a) attached hereto as Annex A is a true, correct and complete copy of [insert names of relevant constitutional documents], being the constitutive documents of the Company, as amended to date;
- (b) no amendment or other documents relating to or affecting the [insert names of relevant constitutional documents referred to in (a)] of the Company attached hereto as Annex A has been approved by the directors or shareholders of the Company and no action has been taken by the Company or its shareholders, directors or officers in contemplation of such amendment;
- (c) attached hereto as Annex B is a true, correct and complete copy of resolutions adopted by the board of directors of the Company, at a meeting which was duly convened on _____ and at which the relevant quorum requirement was satisfied, approving the execution of any documents required to be entered into in connection with the [Letter of Credit]/[Qualifying Guarantee]/[Deposit Agreement]/[Account Charge] (the "**Document**") and approving the terms thereof and its execution, delivery and performance and such resolutions have not been amended, modified or revoked and are in full force and effect;
- (d) the persons listed in Annex C hereto and identified with their signatures are directors and authorised signatories, respectively of the Company, and were, at the time of signing and delivery of the Document, duly elected or appointed, qualified and acting as such directors and authorised signatories, respectively, and authorised to execute the Document, and the signatures of such persons appearing on the Document are their genuine signatures; and
- (e) at the date of this certificate, no winding up, liquidation, dissolution, insolvency, bankruptcy, amalgamation, reorganisation or examination proceedings have been commenced or are being contemplated by the Company and, to the best of the undersigned's knowledge, information and belief, the Company has no knowledge of any such proceedings having been commenced or being contemplated in respect of the Company by any other party.

IN WITNESS WHEREOF, the undersigned has executed this certificate on the _____ day of _____

Director, [name of company]

APPENDIX 7
PRO FORMA LEGAL OPINION

GAS NETWORKS IRELAND
POLICY NO. FS01

FINANCIAL SECURITY PACKAGE
PRO FORMA LEGAL OPINION

PRO FORMA LEGAL OPINION

To: [Transporter]
[address]

Agreement relating to Financial Security Policy

Ladies and Gentleman

22. INTRODUCTION

23. We have been requested to give an opinion to [Transporter] (together with its successors and assigns, the “**Transporter**”) in connection with certain aspects of [•] law relevant to the [issue by the [name of company] (the “**Company**”) of a [Letter of Credit]/[Guarantee] in favour of the Transporter]/[the entry by [name of company] (the “**Company**”) into an [Account Charge] with the Transporter].

24. OPINION

25. We are of the opinion as follows:

Corporate Status

26. The Company is a [specify legal nature of the Company] and is duly incorporated under the laws of [•]. No steps have been taken to appoint an insolvency official to the Company, to appoint a receiver to it or its assets, to appoint a liquidator to it or otherwise to wind it up. The Company is validly existing [and in good standing].

Official Authorisations

27. The execution and delivery by the Company of the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] and the performance by the Company of its obligations thereunder does not require on the part of the Company any consent, licence, approval or authorisation of any governmental or regulatory body or official of [•].

Corporate Capacity

28. The Company has the necessary legal capacity to enter into and perform its obligations under the Letter of Credit]/[Qualifying Guarantee]/[Account Charge].

Corporate Authorisations

29. All necessary corporate action required on the part of the Company to authorise the execution and delivery of the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] and the performance by the Company of its obligations under the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] has been duly taken.

Due Execution

30. The Company has duly executed the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge].

Legal, valid, binding and enforceable obligations

The [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] constitutes legal, valid, binding and enforceable obligations of the Company under the laws of [•].

No Breach

31. Neither the execution and delivery by the Company of the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] nor the performance by the Company of its obligations thereunder will result in a breach or violation of the constitutional documents of the Company or any applicable law, statute or regulation of [•] to which the Company is subject.

Choice of Law

32. The choice of Irish law to govern the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] will be recognised and upheld by the courts of [•].

Submission to Jurisdiction

33. The submission by the Company in the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] to the jurisdiction of the courts of Ireland will be recognised and upheld by the courts of [•].

Enforcement of Judgments

34. Any judgement obtained in Ireland in connection with the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] will be enforced in [•] against the Company without any need for a retrial or examination of the merits of the case.

Ranking of payments

35. The payment obligations of the Company under the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] will rank pari passu with all its other existing and future unsecured and unsubordinated obligations.

No Taxes

36. There are no stamp, registration or other issuance or transfer taxes or duties or similar fees or charges under [•] law required to be paid in connection with the execution and delivery of the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge].

No Withholding Tax

37. Any payment made by the Company under the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] may be made free and clear of and without deduction for or on account of any [•] tax.

38. **ASSUMPTIONS**

39. We have assumed for the purposes of this Opinion the following:

40. Genuine Signatures

(a) the genuineness and authenticity of all signatures on the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge];

41. No Insolvency

(a) that the Company is solvent or, as the case may be, was solvent, at the date of execution or the effective date of the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge], and will not result as a result of entering into the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] become insolvent or unable to pay its debts or deemed to be so under any applicable statutory provision, regulation or law;

42. Minutes of meetings

(a) that the certified copies, produced to us for the purposes of giving this opinion, of minutes of meetings and/or of resolutions are true copies and correctly record the proceedings at such meetings and/or the subject matter which they purport to record; and that any meetings referred to in such copies were duly convened and held, that those present at any such meetings acted bona fide throughout, that all resolutions set out in such copies were duly passed and that no further resolutions have been passed, or corporate or other action taken would or might alter the effectiveness thereof; and

43. Other Documents

(a) that there are no agreements, contracts or arrangements in existence between the parties to the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] which in any way amend, add to or vary the terms of the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] in the form we have reviewed or the respective rights and obligations of the parties under the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge].

44. **RESERVATIONS AND QUALIFICATIONS**

45. The obligations and rights of the parties to the [Letter of Credit]/[Qualifying Guarantee]/[Account Charge] are subject to all insolvency, bankruptcy, liquidation, reorganisation, moratorium, trust schemes, preferential creditors, fraudulent transfer and laws relating to or affecting creditors' rights generally.

Yours faithfully
