

## FORM OF LETTER OF CREDIT

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

Dear Sirs,

Unconditional, irrevocable standby letter of credit No. [#]

**Beneficiary: National Gas Transmission plc (number 2006000)**

1. We [Bank], of [address] understand that [#] (the “**Consumer**”) has entered into a Gas Demand Side Response Agreement (# facility) (“**DSR Agreement**”) with you dated [# date].
2. We understand that you and the Consumer have agreed that the Consumer will provide security to you in respect of all payments which may become due under the DSR Agreement. Accordingly, we issue this unconditional irrevocable standby letter of credit in your favour for a maximum aggregate amount of [£#].
3. Following presentation to us on or before the end of [# date]<sup>1</sup> (“**Expiry Date**”) at our offices, the address of which is specified above, of a Notice of Drawing (in the form set out in Annex 1), we shall on demand by you, without further notice to the Consumer, upon you certifying that the Consumer has failed to pay any amount payable under the DSR Agreement when due or in accordance with the DSR Agreement, pay to you the lesser of the amount specified in the Notice of Drawing and then our maximum aggregate liability under paragraph two hereof.
4. Partial drawings are permitted.
5. The presentation of a Notice of Drawing shall be conclusive evidence that the Consumer is in default of its obligations under the DSR Agreement and that the amount claimed is due to you.
6. This standby letter of credit shall become effective on the date hereof. Any Notice of Drawing must be received in writing at this office in conformity with the terms of the standby letter of credit before close of business on the Expiry Date, and after Expiry Date the standby letter of credit shall become null and void whether returned to us for cancellation or not. Any Notice of Drawing received after the close of business of the Expiry Date shall be ineffective provided that we shall not be released from our obligations on the Expiry Date if the Notice of Drawing has been presented on or before that date.
7. This unconditional irrevocable standby letter of credit shall be governed by and construed in accordance with the laws of England and is subject to the Uniform Customs and Practice of Documentary Credits (2007 Revision, International Chamber of Commerce, Paris, France, Publication Number 600) (“**UCP**”), insofar as the same are applicable and not inconsistent with the terms of this unconditional irrevocable standby letter of credit.
8. The courts of England shall have jurisdiction to settle any dispute which may arise in relation to this unconditional irrevocable standby letter of credit.

Yours faithfully  
For and on behalf of [# Bank]

Authorised Signature(s)

**Annex 1**  
**Notice of Drawing**

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<sup>1</sup> The end date is intended to be 31 May, as extended for any run-off period.

To: [Bank]

[# date]

Dear Sirs,

Re: Gas Demand Side Response Agreement (# Facility)

Dated [#]

Letter of Credit No. [#] ("THE SECURITY")

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We refer to the above Security in our favour. We hereby demand immediate payment thereunder in the amount of [#].

We require payment to be made by telegraphic transfer to:

Institution Name:

Address:

Sort Code:

Account Name: National Gas Transmission plc

Account No.:

Yours faithfully,

For and behalf of  
National Gas Transmission plc

Duly authorised officer

**FORM OF PARENT COMPANY GUARANTEE**

**DATED** **20**

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**[GUARANTOR] (1)**

**in favour of**

**NATIONAL GAS TRANSMISSION PLC (2)**

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**GUARANTEE**

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**THIS GUARANTEE** is made the day.....of 20

by [.....] a company [registered in [ ] (No. ....)] and having its registered office at [.....] (herein called the "**Guarantor**") in favour of National Gas Transmission plc a company registered in England (No. 02006000) having its registered office at National Grid House, Warwick Technology Park, Gallows Hill, Warwick CV34 6DA herein called "**National Gas Transmission**".

#### **WHEREAS**

- (A) This Guarantee is supplemental to a Gas Demand Side Response Agreement dated [ ] (the "**Agreement**") between (1) National Gas Transmission (2) and [.....], a company registered in [ ] (No. ....) and having its registered office at [.....] (the "**Consumer**"), whereby the Consumer agrees and undertakes to provide certain demand side response services to National Gas Transmission for within day, D-1, D-5 product options in respect of the gas consumed by the Consumer at the agreed site .
- (B) National Gas Transmission has entered or agreed to enter into the Agreement subject to the Guarantor guaranteeing performance by the Consumer of its payment obligations pursuant to the Agreement.

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

- 1 This Guarantee is effective from [*enter date*] (or such later date as may be notified in writing by National Gas Transmission to the Guarantor prior to [*enter date*] (the "**Effective Date**")).
- 2 In this Guarantee "**Guaranteed Liabilities**" means all monies up to a maximum of £[*insert numerical figure*] ([*insert figure in words*]) (the "**Cap**"), which are now, or in the future become due or owing by the Consumer to National Gas Transmission howsoever arising under or in connection with the Agreement.
- 3 The Guarantor irrevocably and unconditionally guarantees to National Gas Transmission the punctual payment by the Consumer of the Guaranteed Liabilities and that whenever the Consumer does not pay any Guaranteed Liabilities the Guarantor shall immediately pay such Guaranteed Liabilities on written demand as if it were the principal debtor and in the currency in which the same falls due for payment.
- 4 The Guarantor agrees to pay interest on each amount demanded under this Guarantee and on any interest compounded under this clause 4 from the date of demand until payment (as well after as before judgment) at a rate of 2 per cent per annum above Barclays Bank PLC base rate accruing on a daily basis. Such interest shall be calculated and compounded monthly if not paid on demand but without prejudice to National Gas Transmission's right to require payment of such interest.
- 5 The Guarantor agrees to pay legal and other costs and expenses (on a full and unqualified indemnity basis) incurred by National Gas Transmission whether before or after the date of demand on the Guarantor: (i) in enforcing or reasonably endeavouring to enforce the payment of any money due under this Guarantee or otherwise in relation to this Guarantee; and (ii) in resisting or reasonably endeavouring to resist any claims or defences made against National Gas Transmission in connection with the liabilities or alleged liabilities of the Consumer guaranteed hereunder or any money or benefits received by or any preference or alleged preference given to National Gas Transmission from or by the Consumer.
- 6 The obligations of the Guarantor under this Guarantee are undertaken by it as a primary obligor and not merely as a surety.
- 7 As a separate and independent primary obligation, without prejudice to clause 3, the Guarantor unconditionally and irrevocably agrees that it shall remain liable in respect of the Guaranteed Liabilities even if any of the Guaranteed Liabilities is not or ceases to be valid or enforceable against the Consumer for whatever reason, whether or not known to National Gas Transmission, as if the same were fully valid and enforceable. The Guarantor unconditionally and irrevocably agrees to keep National Gas Transmission fully indemnified on demand against all damages, losses, costs, and expenses arising from any failure of the Consumer to perform or discharge payment of any of the Guaranteed Liabilities.

- 8 The liability of the Guarantor to make payment to National Gas Transmission shall not be impaired or discharged by reason of any of the following (whether or not the Guarantor has notice thereof):
- (a) any amendment, variation or waiver (however fundamental) of any provision of the Agreement;
  - (b) any indulgence or forbearance shown by National Gas Transmission towards the Consumer or the Guarantor whether as to payment or time for payment or any arrangement entered into or composition accepted by National Gas Transmission modifying (by operation of law or otherwise) the rights and remedies of National Gas Transmission pursuant to the Agreement with regard to payment or time for payment;
  - (c) any action lawfully taken by any party to the Agreement to determine the Agreement as respects the Consumer or any other party thereto, or as a result of which the Consumer ceases to be a party to the Agreement;
  - (d) any change in the relationship between the Guarantor and the Consumer;
  - (e) any disability, legal limitation, incapacity or change in the status or constitution of the Consumer, the Guarantor or National Gas Transmission;
  - (f) the bankruptcy, liquidation, dissolution or insolvency of the Consumer or any receivership, administration, moratorium, composition of creditors or other analogous event affecting the Consumer or any of its property;
  - (g) any failure or delay by National Gas Transmission to assert any of its rights under this Guarantee;
  - (h) any composition discharge release or other variation of liability entered into with or granted to the Consumer;
  - (i) the invalidity or unenforceability of the obligations of the Consumer pursuant to the Agreement; or
  - (j) any other act or omission of National Gas Transmission or any other circumstance which but for this provision might discharge the Guarantor.
- 9 This Guarantee shall:
- (a) be in addition to any present or future Collateral Instrument, right or remedy held by or available to National Gas Transmission; and
  - (b) not be in any way prejudiced or affected by:
    - (i) the existence of any Collateral Instrument, rights or remedies; or
    - (ii) any Collateral Instrument becoming wholly or in part void, voidable or unenforceable on any ground; or
    - (iii) National Gas Transmission dealing with, exchanging, varying or failing to perfect or enforce any Collateral Instrument; or
    - (iv) National Gas Transmission giving time for payment or indulgence or compounding with any person liable for the Guaranteed Liabilities.
- 10 National Gas Transmission shall not be obliged to make any claim or demand on the Consumer or to resort to any Collateral Instrument or other means of payment now or in future held by or available to it before enforcing this Guarantee.
- 11 No action taken or omitted by National Gas Transmission in connection with any Collateral Instrument or other payment or any variation, amendment, supplement, novation or replacement of any Collateral Instrument shall discharge, reduce, prejudice, or affect the Guaranteed Liabilities or liability of the Guarantor under this Guarantee.
- 12 National Gas Transmission shall not be obliged to apply any money or other property received or recovered in consequence of any enforcement or realisation of any Collateral Instrument or other payment in reduction of the Guaranteed Liabilities.

- 13 For the purposes of this Guarantee “**Collateral Instruments**” means notes, bills of exchange, certificates of deposit and other negotiable and non-negotiable instruments, guarantees, indemnities and other assurances against financial loss, and any other documents or instruments which contain or evidence an obligation (with or without security) to pay, discharge or be responsible directly or indirectly for, any indebtedness or liabilities of the Consumer, and includes any document or instrument creating or evidencing an encumbrance, however defined and includes, without limitation, letters of credit, deposit agreements and escrow agreements.
- 14 This Guarantee shall continue in full force and effect until all sums whatsoever payable by the Consumer pursuant to the Agreement have been finally paid in full and all obligations of the Consumer pursuant to the Agreement have been performed in full.
- 15 The Guarantor shall exercise only in accordance with any of National Gas Transmission’s instructions:
- (a) its rights of subrogation, contribution, and indemnity in connection with any payment by the Guarantor pursuant to this Guarantee;
  - (b) its right to take the benefit of, share in or enforce any security or other guarantee or indemnity for the Consumer obligations held by National Gas Transmission; and
  - (c) its right to prove or claim in the bankruptcy, liquidation, dissolution or insolvency of the Consumer or any receivership, administration, moratorium, composition of creditors or other analogous event affecting the Consumer or any of its property.
- Any amount recovered as a result of the exercise of such rights shall be paid to National Gas Transmission on demand.
- 16 The Guarantor hereby represents and warrants to National Gas Transmission that:
- (a) the Guarantor is duly incorporated and is a validly existing company under the laws of its place of incorporation, has the capacity to sue or be sued in its own name and has power to carry on its business as now being conducted and to own its property and other assets;
  - (b) the Guarantor has full power and authority to execute, deliver, and perform its obligations under this Guarantee and no limitation on the powers will be exceeded as a result of the Guarantor entering into this Guarantee;
  - (c) the execution, delivery, and performance by the Guarantor of this Guarantee and the performance of its obligations under this Guarantee have been duly authorised by all necessary corporate action and do not contravene or conflict with:
    - (i) the Guarantor’s memorandum and articles of association or other equivalent constitutional documents; or
    - (ii) any existing law, statute, rule or regulation or any judgment, decree or permit to which the Guarantor is a party or which is binding upon it or any of its assets; or
    - (iii) the terms of any agreement or other document to which the Guarantor is a party or which is binding upon it or any of its assets; and
  - (d) this Guarantee is the legal, valid, and binding obligation of the Guarantor and is enforceable against the Guarantor in accordance with its terms.
- 17 The Guarantor acknowledges that National Gas Transmission has accepted this Guarantee in full reliance on the representations and warranties set out in clause 16.
- 18 All payments by the Guarantor under this Guarantee shall be made in full, without set-off or counterclaim and, subject to clause 19, free and clear of any deductions or withholdings in immediately available, freely transferable, cleared funds for value on the date specified in National Gas Transmission’s demand to the account notified to the Guarantor by National Gas Transmission.
- 19 If at any time the Guarantor is required by law to make any deduction or withholding in respect of any taxes, duties or other charges or withholdings from any payment due under this

- Guarantee, the sum due from the Guarantor in respect of such payment shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, National Gas Transmission receives on the due date and retains (free of any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received had no such deduction or withholding been required to be made. For the avoidance of doubt, the Cap will not apply to any such amount withheld under this clause 19.
- 20 The Guarantor may not assign or transfer any of its rights or obligations under this Guarantee. National Gas Transmission may only assign its rights under this Guarantee to a person in favour of whom an assignment has been made pursuant to the Agreement.
- 21 National Gas Transmission may disclose to a prospective assignee or transferee or to any other person proposing to enter into any agreement with National Gas Transmission in relation to the Agreement such information about the Guarantor as National Gas Transmission thinks fit.
- 22 National Gas Transmission's rights under this Guarantee are cumulative and not exclusive of any rights provided by law and may be exercised from time to time and as often as National Gas Transmission deems expedient.
- 23 If any provisions of this Guarantee become invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.
- 24 No failure or delay by National Gas Transmission in exercising any right or remedy shall operate as a waiver, nor shall any single or partial exercise or waiver of any right or remedy preclude its further exercise or the exercise of any other right or remedy.
- 25 A person who is not a party to this Guarantee (including any employee, officer, agent, representative or sub-contractor of any party) shall not have the right to enforce any term of this Guarantee which expressly or by implication confers a benefit on that person without the express prior agreement in writing of the Guarantor and National Gas Transmission, which agreement must refer to this clause 25.
- 26 This Guarantee shall secure the ultimate balance of the Guaranteed Liabilities from time to time and shall be a continuing security and shall not be affected by any performance, payment, settlement or other matter pursuant to or in respect of the Agreement or this Guarantee and shall (subject to clause 27) remain in effect until the date on which National Gas Transmission is satisfied that the Guaranteed Liabilities have been discharged in full (such date, the "**Termination Date**").
- 27 Notwithstanding clause 26 above and any release, discharge, termination or settlement between National Gas Transmission and the Guarantor the liability of the Guarantor under this Guarantee shall continue in full force and effect following the Termination Date and/or such release discharge, termination or settlement in relation to:
- (a) the Guaranteed Liabilities which shall have become due at the Termination Date; and
  - (b) the Guaranteed Liabilities (including for the avoidance of doubt and without limitation contingent and unascertained liabilities) which may become due, owing or incurred by the Consumer to National Gas Transmission pursuant to any transaction, dealing, commitment or other engagement entered into or effected either (i) prior to the Termination Date or (ii) on or after the Termination Date pursuant to any commitment, expressed or implied, assumed or undertaken by the Consumer to National Gas Transmission prior to the Termination Date;
  - (c) the Guaranteed Liabilities if any monies paid to National Gas Transmission in reduction of the indebtedness of the Consumer pursuant to the Agreement has to be repaid by National Gas Transmission by virtue of any provision or enactment relating to bankruptcy, liquidation, administration, dissolution, insolvency or other analogous event for the time being in force or on any other ground. If that happens the liability of the Guarantor under this Guarantee shall be computed as if such monies had never been paid to National Gas Transmission at all; and
  - (d) the Guaranteed Liabilities if any security, disposition or payment to National Gas Transmission from the Guarantor is liable to be void, set aside or ordered to be

refunded pursuant to any enactment or law relating to bankruptcy, liquidation, administration, dissolution, insolvency or other analogous event or for any other reason whatsoever. If that happens, National Gas Transmission shall be entitled to recover from the Guarantor to the full extent of this Guarantee as if the release, discharge, or settlement had not occurred and such payment had not been made.

28 National Gas Transmission shall be entitled to retain this Guarantee after as well as before the payment or discharge of all the Guaranteed Liabilities for such period as it may determine.

29 Any statement of account of the Consumer, signed as correct by an officer of National Gas Transmission, showing the amount of the Guaranteed Liabilities shall, in the absence of manifest error, be binding and conclusive on and against the Guarantor.

30 All notices or other communications under or in connection with this Guarantee shall be given in writing. Any such notice will be deemed to be given (a) All notices or other communications under or in connection with this Guarantee shall be given in writing when delivered or, if later, 2 days after posting if sent by first class post (or 7 days if sent by second class post or 5 days if sent from outside the United Kingdom), provided that a notice given in accordance with the above but not received on a "business day" or received after "business hours" shall be deemed to have been received at 9.am on the following "business day". For the purposes of this clause 30 a "business day" is a day which is not a Saturday, Sunday or public holiday in London and "business hours" means 9am to 5pm on a business day.

31 [Subject to clause 39,] the address and email address for all notices under or in connection with this Guarantee are as follows, unless the other party has been notified otherwise at least five days before the notice is received:

(a) in the case of the Guarantor:

Address: [ ]

Email address: [ ]

For the attention of: [ ]

(b) in the case of National Gas Transmission:

Address:

National Grid House,  
Warwick Technology Park,  
Gallows Hill,  
Warwick  
CV34 6DA

Email address: [ ]

For the attention of: [ ]

32 Service of legal proceedings in the manner described in clause 30 shall be deemed to constitute good service.

33 Unless the contrary intention appears, a reference in this Guarantee to National Gas Transmission or Guarantor or the Consumer or a person includes its successors in title, permitted assigns and permitted transferees.

34 This Guarantee is governed by and shall be construed in accordance with English law.

35 Subject to clauses 37 and 38, the courts of England have exclusive jurisdiction to settle any disputes arising out of or connected with this Guarantee (including a dispute regarding the existence validity or termination of this Guarantee or the consequences of its nullity) (a "Dispute").

36 Subject to clauses 37 and 38, the parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes between them and accordingly that they will not argue to the contrary.

- 37 This clause 37 is for the benefit of National Gas Transmission only. As a result and notwithstanding clauses 35 and 36 it does not prevent National Gas Transmission from:
- (a) taking proceedings relating to a Dispute in any other courts (and the Guarantor waives any objection to proceedings in such courts on the grounds of venue or on the grounds that proceedings have been brought in an inappropriate forum); or
  - (b) referring a Dispute to be finally settled by arbitration under the Rules of Arbitration and Conciliation of the International Chamber of Commerce by two or more arbitrators appointed pursuant to such Rules.
- 38 To the extent allowed by law, National Gas Transmission may take concurrent proceedings in any number of jurisdictions.
- 39 [The Guarantor authorises and appoints [name] of [legal representatives or related company in England and Wales] (or such other person being a firm of solicitors in England as they may from time to time substitute by notice to National Gas Transmission) to accept service of all legal process arising out of or connected with this Guarantee. Service on such person (or substitute) shall be deemed to be service on the Guarantor. Except upon a substitution, the Guarantor shall not revoke any such authority or appointment and shall at all times maintain an agent for service of process in England. If any agent ceases for any reason to be an agent, the Guarantor shall forthwith appoint another agent and advise National Gas Transmission accordingly.]
- 40 [The Guarantor waives any right of state immunity which it may have in respect of any proceedings or action (which shall include any attachment or arrest prior to judgement and any enforcement proceedings including execution) commenced by the Beneficiary against the Guarantor under or in connection with this Deed.]

IN WITNESS whereof the Guarantor has caused this Guarantee to be executed as its deed but not delivered until the day and year first before written.

[The Common Seal of [.....] was  
hereunto affixed in the presence of:

[.....] Director

[.....] Director/Company Secretary]

or

[Executed as a Deed by

[ ] acting

by:

[.....] Director

[.....] Director/Company Secretary]