

CUSC Amendment Proposal Form	CAP:090																		
Title of Amendment Proposal:																			
Credit Limits for rated companies																			
Description of the Proposed Amendment <i>(mandatory by proposer):</i>																			
<p>To gain credit a user is currently required to have an NGC approved credit rating (A- or A3 respectively as set by Standard and Poor's or Moody's for connection charges, BBB- or Baa3 respectively as set by Standard and Poor's or Moody's for Use of System charges). This amendment would introduce the rules of establishing individual user limits based on a percentage of the maximum credit limit.</p> <p>CAP:089 proposed that the CUSC should set a maximum credit limit based on 2% of Regulatory Asset Value of an individual Network Operator. This proposal is that individual counterparty credit limits and those that use Parent Company Guarantees or aggregates of both, should be set using credit ratings applied under the 'Basel 2' rules for determining bank capital adequacy. The implication is that the maximum credit allowances of 100 percent of maximum credit limit for AAA/AA and 40 percent for A. For the third band, (BBB) NGC proposes, consistent with Ofgem's guidelines, that the above allowance be further sub-divided, such that the following are applied to rated entities:</p> <p>Maximum credit limit = 2% RAV (~£120m for NGC)</p> <table border="0"> <thead> <tr> <th data-bbox="193 1115 347 1144">Credit rating</th> <th data-bbox="193 1149 756 1178">Credit allowance as % of maximum credit limit</th> <th data-bbox="193 1182 432 1211">Approx. Allowance</th> </tr> </thead> <tbody> <tr> <td data-bbox="193 1249 304 1279">AAA/AA</td> <td data-bbox="193 1283 272 1312">100%</td> <td data-bbox="193 1317 288 1346">£120m</td> </tr> <tr> <td data-bbox="193 1384 217 1413">A</td> <td data-bbox="193 1417 256 1447">40%</td> <td data-bbox="193 1451 272 1480">£48m</td> </tr> <tr> <td data-bbox="193 1518 272 1547">BBB+</td> <td data-bbox="193 1552 256 1581">20%</td> <td data-bbox="193 1585 272 1615">£24m</td> </tr> <tr> <td data-bbox="193 1653 256 1682">BBB</td> <td data-bbox="193 1686 256 1715">19%</td> <td data-bbox="193 1720 288 1749">£22.8m</td> </tr> <tr> <td data-bbox="193 1787 264 1816">BBB-</td> <td data-bbox="193 1821 256 1850">18%</td> <td data-bbox="193 1854 288 1883">£21.6m</td> </tr> </tbody> </table> <p>It is recommended that this amendment goes to a working group.</p>		Credit rating	Credit allowance as % of maximum credit limit	Approx. Allowance	AAA/AA	100%	£120m	A	40%	£48m	BBB+	20%	£24m	BBB	19%	£22.8m	BBB-	18%	£21.6m
Credit rating	Credit allowance as % of maximum credit limit	Approx. Allowance																	
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<p>Description of Issue or Defect that Proposed Amendment seeks to Address <i>(mandatory by proposer):</i></p> <p>The amendment seeks to address and codify Ofgem's recommendations within its Network Operator Best Practice guidelines.</p>
<p>Impact on the CUSC <i>(this should be given where possible):</i></p> <p>Section 3</p>
<p>Impact on Core Industry Documentation <i>(this should be given where possible):</i></p> <p>None</p>
<p>Impact on Computer Systems and Processes used by CUSC Parties <i>(this should be given where possible):</i></p> <p>None</p>
<p>Details of any Related Modifications to Other Industry Codes <i>(where known):</i></p> <p>None</p>
<p>Justification for Proposed Amendment with Reference to Applicable CUSC Objectives** <i>(mandatory by proposer):</i></p> <p>An amendment to the CUSC as outlined above will enable National Grid to more easily and efficiently discharge its obligations under the Act and the Transmission Licence and fulfill its obligations to facilitate competition in the generation and supply of electricity.</p>

Details of Proposer: Organisation's Name:	National Grid Transco
Capacity in which the Amendment is being proposed: (i.e. CUSC Party, BSC Party or "energywatch")	CUSC Party
Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:	Paul Murphy NGT 019260656330 paul.murphy@ngtuk.com
Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:	Toby Thornton NGT 01926656384 toby.thornton@ngtuk.com
Attachments (Yes/No): If Yes, Title and No. of pages of each Attachment:	

Notes:

1. Those wishing to propose an Amendment to the CUSC should do so by filling in this "Amendment Proposal Form" that is based on the provisions contained in Section 8.15 of the CUSC. The form seeks to ascertain details about the Amendment Proposal so that the Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.
2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

Richard Dunn
Panel Secretary
Commercial Frameworks
National Grid Company plc
NGT House
Warwick Technology Park
Gallows Hill
Warwick, CV34 6DA
Or via e-mail to: CUSC.Team@uk.ngrid.com

(Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC. A Proposer that is a CUSC Party shall be deemed to have granted this Licence).

3. Applicable CUSC Objectives** - These are defined within the National Grid Company Transmission Licence under Section C10, paragraph 1. Reference should be made to this section when considering a proposed amendment.