

CAP 126 - 1st Working Group

Wednesday 18th October 2006

Present:	Nigel Fox (NF)	National Grid	Chair
	Beverley Viney (BV)	National Grid	Technical Secretary
Members:	Jenny Boothe (JB)	Ofgem	
	Dipen Gadhia (DG)	Ofgem	
	Paul Murphy (PM)	National Grid	
	Bec Thornton (BT)	National Grid	
	Paul Mott (PMo)	Edf	
	Ben Sheehy (BS)	Eon	
	Dave Wilkerson (DW)	Centrica	
	Carl Wilkes (CW)	npower	
Apologies:	Hedd Roberts (HR)	National Grid	
	Andrew Colley (AC)	Scottish & Southern	
	Mark De Souza (MD)	npower	
	Keith Munday (KM)	Bizz Energy	

Introduction

NF outlined the timescales for this Working Group. The CUSC Panel has given the Working Group a 2 month timescale, therefore the Working Group Report needs to be issued to the Working Group members for comment no later than the 7 November in order to be issued with the CUSC Papers on 16 November.

Terms of Reference

The draft Terms of Reference were discussed and a few minor amendments were made and agreed by the Working Group Members.

CAP126

PM built on the presentation given to the CUSC Panel re CAP126. The intention of the proposal, to clarify the definitions and application of Independent Security and Qualifying Guarantee were described in detail. PM stated that the proposal would better fulfil the applicable objectives as it would allow user to make a more informed decision on the allowances and collateral tools available to them in order to manage their security requirements. Moving Parent Company Guarantees from collateral to Users' credit allowances will remove potential under securitisation caused by double counting, and this will better facilitate effective competition (Objective (b)), by ensuring that an appropriate level of security was held for all parties, and by reducing the chances of bad debt being passed through to the industry.

DG reminded the Members that paragraph 3.9 of the Ofgem Credit Guidelines should be taken into consideration when the final definition was written.

The group agreed that as long as it met the requirements, as stated in CUSC, that Parent Company Guarantees can be issued by any Company within a group to another subsidiary, and does not have to be issued by the ultimate Parent.

The working Group agreed, in principle, that clarifying the definition and application of Independent Security and Qualifying Guarantee, would better meet the applicable objectives, and remove any ambiguity and risk of double counting, and thus under securitisation.

Action

National Grid will draft the legal text, which will be circulated to the Group Members prior to the next meeting. A short discussion on the text will be conducted at the meeting on 1 November.

Next Meeting

10am, Wednesday 1st November at National Grid House, Warwick.