

# CUSC Modification Proposal Form

CMP197

**Title of the CUSC Modification Proposal:** *(mandatory by Proposer)*  
Amendment to Qualifying Guarantor

**Submission Date** *(mandatory by Proposer)*  
15<sup>th</sup> April 2011

**Description of the CUSC Modification Proposal** *(mandatory by Proposer)*

Our proposal is to allow companies who do not meet the current Approved Credit Rating criteria (i.e. BB- or greater of Standard & Poor etc) to provide guarantees. Based on our reading of the CUSC document we should only need to change the wording of the definition of Qualifying Guarantee under Section 11 - Interpretation and Definitions in order to effect this change. This will allow all entities to provide guarantees based on the credit that would be afforded to them under the current criteria in Section 3.26 of the CUSC.

For example, an entity that qualifies for 17% allowed credit under the Independent Credit Assessment method could use 10% of that to cover its own requirement and up to 7% to provide a guarantee to another party.

**Description of Issue or Defect that CUSC Modification Proposal seeks to Address:** *(mandatory by Proposer)*

Entities that are offered credit under an Approved Credit Rating are entitled to provide a Qualifying Guarantee, whereas entities that are offered credit under other methods (e.g. Independent Credit Assessments) are not. This is discriminatory towards smaller suppliers who are typically not large enough to establish an Approved Credit Rating and therefore often use other methods.

This modification will not have an adverse affect on National Grid's risk levels. The provision that the guarantor can only provide cover up to the level that it would be afforded in itself will still protect against non-creditworthy entities offering guarantees. Furthermore, it should be specified that if an entity offers multiple guarantees, then the sum of the value of these guarantees may not exceed the total amount of credit that the guaranteeing party is able to offer.

This modification will bring the CUSC in line with other NWO provisions, as legislated by the DCUSA. Please see attached for the relevant sections of the DCUSA.

**Impact on the CUSC** *(this should be given where possible)*

In **Section 11 - Interpretation and Definitions of the CUSC**, the following section to be amended as highlighted

**"Qualifying Guarantee"**

a guarantee in favour of **The Company** in a form proposed by the **User** and agreed by **The Company** (whose agreement shall not be unreasonably withheld or delayed) and which is provided by ~~an entity which holds an Approved Credit Rating~~ another entity provided that such guarantee cannot secure a sum greater than the level of **User's Allowed Credit** that would be available to that entity in accordance with Paragraph 3.26 if it was a User;

Also, wording will need to be introduced somewhere to make it clear that sum of all guarantees offered by a party making use of this would not be allowed to exceed the total credit that they are able to provide a guarantee for.

**Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes/No** (*assessed in accordance with Authority Guidance – see guidance notes for website link*)

No

**Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information** (*this should be given where possible*)

No

**BSC**

**Grid Code**

**STC**

**Other**

(*please specify*)

**Urgency Recommended: Yes / No** (*optional by Proposer*)

No

**Justification for Urgency Recommendation** (*mandatory by Proposer if recommending progression as an Urgent Modification Proposal*)

**Self-Governance Recommended: Yes / No** (*mandatory by Proposer*)

No

**Justification for Self-Governance Recommendation** (*Mandatory by Proposer if recommending progression as Self-governance Modification Proposal*)

**Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?** (*Mandatory by Proposer in order to assist the Panel in deciding whether a Modification Proposal should undergo a SCR Suitability Assessment*)

No

**Impact on Computer Systems and Processes used by CUSC Parties:** (*this should be given where possible*)

None envisaged

**Details of any Related Modification to Other Industry Codes** (*where known*):

A similar modification to the Gas UNC: **Modification 0360 - Removal of Credit Rating Restrictions from Definition of Parent Company** is currently at workgroup stage

**Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives:** (*mandatory by proposer*)

**Please tick the relevant boxes and provide justification:**

(a) the efficient discharge by The Company of the obligations imposed upon it by the Act and the Transmission Licence

(b) facilitating effective competition in the generation and supply of electricity, and (so far as consistent therewith) facilitating such competition in the sale, distribution and purchase of electricity.

This proposal would better fulfil objective b). Allowing this method of credit cover would remove a clause which could restrict creditworthy small suppliers and force them to use more costly methods of credit cover. This change would therefore place smaller suppliers on a more even footing with larger suppliers and thereby increase fair competition.

These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1

<b>Details of Proposer:</b> (Organisation Name)	OPUS Energy Ltd
<b>Capacity in which the CUSC Modification Proposal is being proposed:</b> (i.e. CUSC Party, BSC Party or "National Consumer Council")	CUSC Party
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Philip Hayward Opus Energy Ltd 0845 4379406 <a href="mailto:Philip.hayward@opusenergy.com">Philip.hayward@opusenergy.com</a>
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Louise Boland Opus Energy Ltd 0845 2937230 <a href="mailto:Louise.boland@opusenergy.com">Louise.boland@opusenergy.com</a>
<b>Attachments (Yes/No): No</b> <b>If Yes, Title and No. of pages of each Attachment:</b> Yes DCUSA Schedule 1 Extracts, 1 page	