

CMP 311 high level impact analysis



Background to analysis

- Some consultation responses highlighted the need to update the view on the potential impact on existing suppliers of CMP 311.
- NGENSO has looked at the high level impact of removing payment history allowance.
- This suggests while currently £7 million is at risk and not covered by user allowed credit or other forms of security, rising to £82 million could be at risk if the facility to use payment history allowance was removed.

Analysis of impact

	Total available Approved Credit Rating	Total available Independent Credit Assessment	Total available Payment History Allowance	Total User Allowed Credit (largest of either option)	Total Collateral (PCG, LoC or escrow)	At risk (not covered by PHA or security) – breach of CUSC
Current	£338m	£35m	£287m	£660m	£119m	£7m
Potential without PHA	£338m	£181m (estimated)	N/A	£519m (estimated)	£119m	£82m (estimated)

- NGESO estimate that as much as £181m of user allowed credit could be obtained through the independent credit assessment route rather than the payment history allowance.
- At the time of writing, £7m exposure is not covered by any form of credit. This is a breach of the CUSC and NGESO are in dialogue with the relevant parties who are attempting to secure alternative forms of guarantee.
- NGESO estimate that up to £82m could need to be secured by other forms of credit if payment history allowance was removed.

Potential cost to industry

Cost of Credit	Cost to industry per annum
2%	£1.6m
4%	£3.3m
6%	£4.1m

- The exact cost of credit will differ across parties.
- The table above considers very broadly what the cost might be to the industry if £82m needed to be secured by other forms of credit outside an approved or independent credit rating, against different potential costs.