

# CUSC Credit Cover Proposals CAP 98 & 99

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# CAP 99 Protection Tools

- *Incorporation of additional tools for the protection of credit exposure.*
- *As per OFGEM “Best Practice Guidelines”*
  - *Performance Bond (provided by Insurance Company)*
  - *Bi-lateral Insurance*
  - *Independent Security (provided by unrelated entity)*
  - *Advance Payment*



# CAP 98 Reassessment of Value at Risk

## Objective:

- Modify the CUSC to provide for Monthly reconciliations of Users use against best available data so as to reduce the risks associated with forecasting errors
- Reduce Security Cover required to reflect increased frequency of reconciliations and Value at Risk



# NHH Concept

- Charges paid in the middle of the month of delivery
- NHH settled on budget plan and reconciled at end of year.
- 10% security required
  
- NHH settlement data available 28 days after event
- Reconciliation risk SF to RF +/-1%
- Delivered unpaid max 14 days = 3.8%



# HH Concept

- 1/12 forecast paid each month
- Users in Credit until End January due to prepayment
- Credit risk only in Feb and March
- Forecast errors reduced by reconciliations at end of December, Jan and Feb
- Credit only posted to cover actual risk.

