

# CMP197 – Amendment to Qualifying Guarantor



CUSC Modifications Panel, 28th October 2011  
Code Administrator – Steven Lam

## CMP197 – Introduction

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- Raised by OPUS Energy Ltd on 15<sup>th</sup> April 2011.
- Qualifying Guarantee is one way by which Security Cover is provided by Parties to cover liabilities to pay BSUoS and Demand TNUoS
- Qualifying Guarantees can only be provided by entities with an Approved Credit Rating
- The size of Qualifying Guarantee which can be provided is equal to the amount of Allowed Credit (effectively a free credit allowance) which would be provided to that company were it a CUSC Party

## Allowed Credit

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- Max Allowed Credit - 2% National Grid's RAV
  
- Routes for acquiring Allowed Credit:
  1. Approved Credit Rating – 0.3% to 2% RAV
  2. Independent Credit Assessment – 0.067% to 0.4% RAV
  3. Payment History (new parties) – 0.008% to 0.04% RAV

## CMP197 Defect

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- Qualifying Guarantee can only provided by company with an Approved Credit Rating
- Other companies which would qualify for Allowed Credit under other options are not able to provide a Qualifying Guarantee
- Restricts the number of companies providing Qualifying Guarantees which limits the options open to Parties

## CMP197 Solution

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- Companies which do/would have qualified for Approved Credit under the Independent Credit Assessment route can also provide a Qualifying Guarantee
- If company is not a CUSC Party, the total amount of Qualifying Guarantees provided cannot exceed the Approved Credit it would have had been allocated
- If the company is a CUSC Party, the total amount of Qualifying Guarantees provided, plus any cover relied on by that company, cannot exceed its Approved Credit

# Workgroup Consultation

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- 4 responses received
- 3 supported CMP197
- 1 unsupportive

## Workgroup Conclusions and Vote

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- Workgroup has met the terms of reference
- 5 Workgroup members eligible to vote
- Majority (4/1) view that CMP197 better facilitates Applicable CUSC Objectives overall
- Implementation 10 Working Days after Authority Decision

## Code Administrator Consultation

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- 2 responses received
- 1 supported CMP197
- 1 unresponsive



## National Grid Opinion

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- National Grid supports the implementation of CMP197 on the basis that it better facilitates Applicable CUSC Objective (b) by helping smaller market participants and therefore will better facilitate competition.

## Panel Recommendation Vote

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- (a) the efficient discharge by the licensee of the obligations imposed upon it under the Act and by this licence; and
- (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.