

Connection and Use of System Code (CUSC)

Title of the CUSC Modification Proposal
Definition of “Qualified Bank”
Submission Date
18 / 02 / 2014
Description of the Issue or Defect that the CUSC Modification Proposal seeks to address
<p>The CUSC currently requires Users to provide The Company with security in respect of the following categories:</p> <ul style="list-style-type: none">(i) Termination Amounts (CUSC Paragraph 2.19)(ii) Balancing Services Use of System Charges and Transmission Network Use of System Demand Charges (CUSC Paragraph 3.22)(iii) Cancellation Charge Secured Amounts (CUSC Paragraph 15 Part 3) <p>For Users who do not meet the required The Company Credit Rating in the case of (i), who exceed their User’s Allowed Credit in the case of (ii), or do not meet The Company Credit Rating in the case of (iii), a number of alternative forms of acceptable security are specified in the CUSC. Such alternative form of security may typically be in the form of a Letter of Credit or Performance Bond provided by a Qualified Bank.</p> <p>The CUSC definition of a Qualified Bank describes the entity as a “bank”, which might imply that the entity is expected to hold a UK banking licence to provide banking services, although this requirement is not specified in the definition. However, the reference to “bank” in the definition would appear to preclude other financial institutions, particularly trade credit insurance companies, which might otherwise meet the CUSC requirements relating to a Qualified Bank from providing security in the form of a Performance Bond or Letter of Credit.</p>
Description of the CUSC Modification Proposal
<p>Following the downgrading of several licensed banks by Moody’s and Standard & Poor’s during 2012 and 2013, the number of financial institutions with an adequate credit rating to provide security on behalf of Users under the CUSC has reduced. A smaller pool of prospective security providers and the potential for further downgradings is unlikely to incentivise Qualified Banks and similar entities to maintain or reduce their charge to Users for providing security</p>

acceptable to **The Company**.

The CUSC definition of **Qualified Bank** requires the entity providing a **Performance Bond** or **Letter of Credit** to meet the general description of being a “bank”. It is proposed that this general description be extended to include a company capable of providing trade related credit insurance, or “trade credit insurance company”, thereby increasing the number of prospective providers of security available to **Users**. Trade credit insurance companies would normally be members of the International Credit Insurance & Surety Association (ICISA) and capable of providing security of a similar level and form as that provided by a bank.

Under this proposed change, the criteria which must be met by a “trade credit insurance company” to meet the definition of a **Qualified Bank** would be the same as the criteria to be met by “bank”, such that the level of security would be similar and neither **The Company** nor other **Users** would be disadvantaged by the choice of entity providing the security.

Impact on the CUSC

If this **CUSC Modification** Proposal is accepted, it is anticipated that the following change would need to be made to the **CUSC**:

Amend the definition "**Qualified Bank**" or "**Qualifying Bank**".

Do you believe the CUSC Modification Proposal will have a material impact on Greenhouse Gas Emissions? Yes / No

No

Impact on Core Industry Documentation. Please tick the relevant boxes and provide any supporting information

None

Urgency Recommended: Yes / No

No

Justification for Urgency Recommendation

N/A

Self-Governance Recommended: Yes / No

Yes

Justification for Self-Governance Recommendation

This **CUSC Modification Proposal** is intended to increase the range of providers capable of meeting the **CUSC** requirements relating to the provision of security and would not result in a reduction in the level of security currently provided by **Users** to **The Company**. Consequently, the **User** considers it unlikely to have a material effect on any of the above criteria.

Should this CUSC Modification Proposal be considered exempt from any ongoing Significant Code Reviews?

The Proposer is not aware of any ongoing Significant Code Review related to this Modification Proposal

Impact on Computer Systems and Processes used by CUSC Parties:

The Proposer does not anticipate that any Computer Systems or Computer Processes would be affected by this **CUSC Modification Proposal**.

Details of any Related Modification to Other Industry Codes

None.

Justification for CUSC Modification Proposal with Reference to Applicable CUSC Objectives:

Please tick the relevant boxes and provide justification:

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

This **CUSC Modification Proposal** seeks to increase the range of providers capable of meeting the **CUSC** requirements relating to the provision of security available to **Users**, thereby reducing the effective preferential treatment of licensed banks above other financial institutions in the provision of security (Licence Condition 19E).

\checkmark (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.

Increasing the number of potential providers of security is expected to reduce the cost to **Users** who are not **Qualifying Companies**, thereby facilitating effective competition in the generation and supply of electricity.

(c) compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency.

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

Objective (c) was added in November 2011. This refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).

This section is mandatory. You should detail why this Proposal better facilitates the Applicable CUSC Objectives compared to the current baseline. Please note that one or more Objective must be justified.

Additional details

<p>Details of Proposer: (Organisation Name)</p>	<p>John Norbury (for the RWE Group of companies, including RWE Npower plc, RWE Npower Renewables Limited and RWE Supply & Trading GmbH) Network Connections Manager RWE Supply & Trading GmbH Windmill Hill Business Park Whitehill Way Swindon, Wiltshire SN5 6PB T +44 (0)1793 89 2667 M +44 (0)7795 354 382 john.norbury@rwe.com</p>
<p>Capacity in which the CUSC Modification Proposal is being proposed: (i.e. CUSC Party, BSC Party or "National Consumer Council")</p>	<p>CUSC Party</p>
<p>Details of Proposer's Representative: Name: Organisation: Telephone Number: Email Address:</p>	<p>As above</p>
<p>Details of Representative's Alternate: Name: Organisation: Telephone Number: Email Address:</p>	<p>David Munday UK Group Treasurer RWE Npower plc Windmill Hill Business Park Whitehill Way Swindon, Wiltshire SN5 6PB T +44 (0)1793 89 2280 M +44 (0)7989 493626 david.munday@rwenpower.com</p>

Attachments (Yes/No):

If Yes, Title and No. of pages of each Attachment: No.

Contact Us

If you have any questions or need any advice on how to fill in this form please contact the Panel Secretary:

E-mail cusc.team@nationalgrid.com

Phone: 01926 655223.

For examples of recent CUSC Modifications Proposals that have been raised please visit the National Grid Website at <http://www.nationalgrid.com/uk/Electricity/Codes/systemcode/amendments/currencyamendmentproposals/>

Submitting the Proposal

Once you have completed this form, please return to the Panel Secretary, either by email to Emma.Clark2@nationalgrid.com and copied to cusc.team@nationalgrid.com, or by post to:

Emma Clark
CUSC Modifications Panel Secretary, TNS
National Grid Electricity Transmission plc
National Grid House
Warwick Technology Park
Gallows Hill
Warwick
CV34 6DA

If no more information is required, we will contact you with a Modification Proposal number and the date the Proposal will be considered by the Panel. If, in the opinion of the Panel Secretary, the form fails to provide the information required in the CUSC, the Proposal can be rejected. You will be informed of the rejection and the Panel will discuss the issue at the next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform you.