

<b>CUSC Amendment Proposal Form</b>	<b>CAP:126</b>
<b>Title of Amendment Proposal:</b>	
Clarification of the applicability and definition of Qualifying Guarantee and Independent Security	
<b>Description of the Proposed Amendment</b> <i>(mandatory by proposer):</i>	
<p>Currently within CUSC Section 3, a '<b>Qualifying Guarantee</b>' and '<b>Independent Security Arrangement</b>' are open to misinterpretation.. The proposal seeks to rectify this issue and better align the CUSC to the original intention of Ofgem's Best Practice Guidelines, making the two elements mutually exclusive in that a company will only be able to provide one or the other to a user.</p> <p>The changes can be summarised as:</p>	
<b>Clarification of Qualifying Guarantee</b>	
<ul style="list-style-type: none"> <li>• To move <b>Qualifying Guarantees</b> from being Collateral (i.e. part of the Security Amount) to instead determining the <b>User's Allowed Credit</b>;</li> <li>• To clarify that these <b>Qualifying Guarantees</b> can only be provided by a "<b>Qualifying Company</b>" (Parent Companies); and</li> <li>• To clarify that where a "<b>Qualifying Company</b>" (Parent Companies) provides <b>Qualifying Guarantees</b> for more than one User, the <b>Qualifying Guarantees</b> in aggregate cannot exceed the value of <b>User's Allowed Credit</b> that would be extended to the Parent Company if it were a User.</li> </ul>	
<b>Clarification of Independent Security</b>	
<ul style="list-style-type: none"> <li>• <b>Independent Security</b> can only be provided by entities other than a "<b>Qualifying Company</b>" ( Parent Companies)</li> </ul>	
<b>Description of Issue or Defect that Proposed Amendment seeks to Address</b> <i>(mandatory by proposer):</i>	
There are currently several issues with the application of <b>Qualifying Guarantees</b> in the security arrangements, these are;	
<ul style="list-style-type: none"> <li>• They are treated as a collateral tool and not an allowance. Where a user has a rating that does not afford it an allowance greater than its requirement it is using its Parent Company's allowance as an additional collateral tool. The user should instead substitute its allowance with that of its Parent Company.</li> <li>• They can be given by a party which is not a direct parent.</li> <li>• A single <b>Qualifying Company</b> can provide many guarantees in excess of its maximum allowance.</li> <li>• The issue with the <b>Independent Security Arrangement</b> is that it is not clear that it should be issued by anyone other than a <b>Qualifying Company</b>.</li> </ul>	
<b>Impact on the CUSC</b> <i>(this should be given where possible):</i>	
Section 3 Part III (Credit Requirements), Section 6 (General Provisions) and Section 11 (Interpretation and Definitions)	
<b>Impact on Core Industry Documentation</b> <i>(this should be given where possible):</i>	
None anticipated	

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

None anticipated

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

N/A

**Justification for Proposed Amendment with Reference to Applicable CUSC Objectives\*\***  
*(mandatory by proposer):*

National Grid believes that this proposal will better facilitate CUSC Applicable Objectives;

**(a) the efficient discharge by the Licensee of the obligations imposed on it by the Act and the Transmission 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;**

by clarifying the applicability and definition of Qualifying Guarantee and Independent Security, CUSC parties are able to make a more informed decision on the use of credit allowances and collateral tools available to manage their security obligations. Thus the proposal better meets the following objectives:

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<b>Details of Proposer:</b> Organisation's Name:	National Grid
<b>Capacity in which the Amendment is being proposed:</b> (i.e. CUSC Party, BSC Party or "energywatch")	CUSC Party
<b>Details of Proposer's Representative:</b> Name: Organisation: Telephone Number: Email Address:	Paul Murphy National Grid Electricity Transmission 01926 656330 Paul.Murphy@uk.ngrid.com
<b>Details of Representative's Alternate:</b> Name: Organisation: Telephone Number: Email Address:	Bec Thornton National Grid Electricity Transmission 01926 65686 Bec.Thornton@uk.ngrid.com
<b>Attachments (Yes/No):</b> <b>If Yes, Title and No. of pages of each Attachment:</b>	No

**Notes:**

- Those wishing to propose an Amendment to the CUSC should do so by filling in this "Amendment Proposal Form" that is based on the provisions contained in Section 8.15 of the CUSC. The form seeks to ascertain details about the Amendment Proposal so that the Amendments Panel can determine more clearly whether the proposal should be considered by a Working Group or go straight to wider National Grid Consultation.

2. The Panel Secretary will check that the form has been completed, in accordance with the requirements of the CUSC, prior to submitting it to the Panel. If the Panel Secretary accepts the Amendment Proposal form as complete, then he will write back to the Proposer informing him of the reference number for the Amendment Proposal and the date on which 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, then he may reject the Proposal. The Panel Secretary will inform the Proposer of the rejection and report the matter to the Panel at their next meeting. The Panel can reverse the Panel Secretary's decision and if this happens the Panel Secretary will inform the Proposer.

The completed form should be returned to:

Beverley Viney  
Panel Secretary  
Commercial Frameworks  
National Grid Company plc  
NGT House  
Warwick Technology Park  
Gallows Hill  
Warwick, CV34 6DA  
Or via e-mail to: [Beverley.viney@uk.ngrid.com](mailto:Beverley.viney@uk.ngrid.com)

(Participants submitting this form by email will need to send a statement to the effect that the proposer acknowledges that on acceptance of the proposal for consideration by the Amendments Panel, a proposer which is not a CUSC Party shall grant a licence in accordance with Paragraph 8.15.7 of the CUSC. A Proposer that is a CUSC Party shall be deemed to have granted this Licence).

3. Applicable CUSC Objectives\*\* - These are defined within the National Grid Company Transmission Licence under Section C10, paragraph 1. Reference should be made to this section when considering a proposed amendment.