

WP45 – Supplier Capacity Market Credit Cover

EMRS Working Practice

Public

Version: 12.0
Date: 12 January 2023



1. Table of Contents

| | |
|---|-----------|
| 2. Change Amendment Record | 3 |
| 3. Introduction | 4 |
| 3.1 <i>Scope and Purpose</i> | 4 |
| 3.2 <i>Main Users of this Document and Responsibilities</i> | 4 |
| 3.3 <i>Associated Documents</i> | 4 |
| 4. Supplier Capacity Market Credit Cover | 5 |
| 4.1 <i>Credit Cover Requirements</i> | 5 |
| 4.2 <i>Credit Cover validity</i> | 5 |
| 4.3 <i>Monitoring Credit Cover</i> | 5 |
| 4.4 <i>Credit Cover draw down</i> | 5 |
| 4.5 <i>Lodging Credit Cover</i> | 6 |
| 4.6 <i>Monitoring Credit Cover Sufficiency</i> | 9 |
| 4.7 <i>Monitoring LoC Validity</i> | 12 |
| 4.8 <i>Drawing down Credit Cover</i> | 14 |
| 4.9 <i>Monitoring LoC expiry</i> | 16 |
| 4.10 <i>Returning Credit Cover</i> | 18 |
| 5. Contact Information | 22 |
| 6. Acronyms and Definitions | 22 |
| 7. Appendices | 23 |
| 7.1 <i>Appendix 1 – SWIFT Letter of Credit format</i> | 23 |
| 7.2 <i>Appendix 2 – Approved Form of Letter of Credit</i> | 25 |
| 7.3 <i>Appendix 3 – SWIFT Letter of Credit format (provided by third party)</i> | 28 |
| 7.4 <i>Appendix 4 – Approved Form of Letter of Credit (provided by third party)</i> | 30 |
| 7.5 <i>Appendix 5 – Example request to return Credit Cover</i> | 33 |

2. Change Amendment Record

| Version | Date | Description |
|---------|-----------------|--|
| 11.0 | 9 August 2021 | LCCC and ESC change of address. Small amends to Credit Cover Process. |
| 12.0 | 12 January 2023 | Housekeeping changes and add and corrected references. |

3. Introduction

Under the Capacity Market (CM), Suppliers are obligated to provide Credit Cover to mitigate the risk of non-payment of charges to the Capacity Providers during a Delivery Year. The amount of Credit Cover is set at 110% of the monthly Capacity Market Supplier Charge (to allow for non-payment of the monthly charge, mutualisation and reconciliation payments and late payment interest accrued).

3.1 Scope and Purpose

The purpose of this document is to provide details of how Suppliers can lodge Credit Cover and request its return. It also provides information of EMR Settlement Ltd.'s (EMRS) role in recording and monitoring Credit Cover received and details of how and when Credit Cover will be used.

3.2 Main Users of this Document and Responsibilities

| Role | Responsibilities |
|---------------------------------------|---|
| Supplier | Responsible for ensuring they provide and maintain valid Credit Cover to EMRS. |
| Electricity Settlements Company (ESC) | Responsible for the validation and authorising draw down of Credit Cover, specifying the Letter of Credit (LoC) and banking requirements. |
| EMR Settlement Ltd (EMRS) | Responsible for receiving, managing and monitoring Supplier Credit Cover. |

3.3 Associated Documents

This working practice should be read in conjunction with the following documents, but please note that it does not seek to replace them:

| Document |
|---|
| The Electricity Capacity (Supplier Payments etc.) Regulations 2014 and all subsequent amendments. |
| Electricity Capacity Regulations 2014, and all subsequent amendments ¹ |
| WP41 – Late Payment Procedure ² |
| WP5 – Supplier CM Demand Forecast ² |

¹ Regulations can be found at <http://www.legislation.gov.uk/ukdsi/2014/9780111116777/contents>

² <https://emrsettlement.co.uk/publications/working-practices/>

4. Supplier Capacity Market Credit Cover

4.1 Credit Cover Requirements

Suppliers are responsible for ensuring Credit Cover is provided for each month of a Delivery Year, in the correct format and for the required amount or greater. The minimum amount of Credit Cover required is 110% of the monthly Capacity Market Supplier Charge.

EMRS will calculate the monthly amounts required, using the forecast of demand³ provided by Suppliers and will issue a schedule to each Supplier. The amounts will be revised once actual metered data for the winter period of high demand is received (for the requirements relating to months May – September).

4.2 Credit Cover validity

Credit Cover can be accepted as either cash or Letter of Credit (LoC). Cash needs to be deposited in a bank specified by ESC (for ease of reference it is included in section 4.1).

For LoCs, these must:

- Be in a valid format
- Have Electricity Settlements Company as the beneficiary
- Be issued via SWIFT to ESC's agent
- Be issued by a qualifying bank:
 - A bank with a long term debt rating of either;
 - A- or better, by Standard and Poor's⁴
 - A3 or better, by Moody's⁵
 - A bank approved by ESC
- Not yet, be expired.

4.3 Monitoring Credit Cover

EMRS (on behalf of ESC) are responsible for monitoring receipt and validity of the lodged Credit Cover; EMRS advises Suppliers of the status of the Credit Cover, managing non-payment of charges and maintaining the Credit Cover Default Register.

4.4 Credit Cover draw down

Credit Cover can be drawn down if a Supplier fails to meet its obligations to provide the funding to ensure Capacity Providers can receive their payments. Draw down can be used for non-payment of monthly Supplier charges, mutualisation, reconciliation payments and interest owed, but excludes the Settlement Cost Levy. Draw down can also occur if the bank ratings on a Letter of Credit have decreased below the specified level or there is less than 10WDs remaining until the LoC is due to expire.

Where Credit Cover cannot be drawn down, alternative escalating actions will be taken to encourage Suppliers to meet their obligations.

³ Details can be found in 'WP05 - Supplier CM Demand Forecast', <https://emrsettlement.co.uk/publications/working-practice/>

⁴ Details can be found at: <http://www.standardandpoors.com>

⁵ Details can be found at: <https://www.moody.com/>

4.5 Lodging Credit Cover

Suppliers can lodge Credit Cover at any point but they must ensure the appropriate level is in place by no later than 12 Working Days before the start of the month.

Table 1: Lodging Credit Cover.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|---|---|--------------|---------|--|--------------------|
| 4.5.1 | 28(1). | Ad hoc but by no later than 12 WDs before the start of the month ⁶ | Transfer cash and notify contact@emrsettlement.co.uk | Supplier | EMRS | Account Details Bank: RBS Account Name: ESC Supp Credit Cover Acc. No.: 10018530 Sort Code: 60-70-80 IBAN: GB69NWBK60708010018530 SWIFT: NWBKGB2L | Bank transfer |
| | | | Alternatively, provide LoC | Issuing bank | NatWest | Appendix 1 - SWIFT Letter of Credit format LoC validity requirements ⁷ SWIFT: NWBKGB2L | SWIFT ⁸ |

⁶ If Credit Cover lodged continuously meets the requirements for each month, then further Credit Cover does not need to be provided – only if Credit Cover becomes invalid or insufficient, Supplier must ensure corrected by 12 WDs before the start of the month.

⁷ Letter of Credit validity requirements can be found in section 4.2

⁸ Where the issuing bank is also NatWest (ESC’s agent), SWIFT will not be used and the LoC will be issued to EMRS directly.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|---------------------------|---|---------|----------|---|------------------|
| 4.5.2 | | Within 2 WDs of 4.5.1 | Check Credit Cover bank account for cash. received, and if so then go to 4.5.5 | EMRS | - | As provided in 4.5.1 Bank details. | Internal process |
| 4.5.3 | | Within 1 WD of 4.5.1 | Log and validate SWIFT submission, send confirmation to EMRS. | NatWest | EMRS | | Internal process |
| 4.5.4 | | Following 4.5.3 | Validate LoC and issuing bank. If Credit Cover is valid then go to 4.5.5. If Credit Cover is invalid or insufficient then go to 4.5.6 | EMRS | - | LoC validity requirements. Bank ratings. | Internal process |
| 4.5.5 | 28(2) | Following 4.5.2 and 4.5.4 | Record lodging and notify Supplier of successful lodging. If Credit Cover has been supplied to replace previously lodged LoCs ⁹ then go to 4.5.6 otherwise END PROCESS. | EMRS | Supplier | Authorised Credit Cover contact details. Company emails. | Email |

⁹ May occur due to loss of an acceptable rating by a LoC-issuing bank (process 4.2), LoC expiry or request to return a partial value of a LoC (process 4.6).

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|----------------------|--|---------|--------------|--|--------|
| 4.5.6 | 28(2). | Following 4.5.4 | <p>Notify Supplier of invalid Credit Cover or non-receipt of Credit Cover and check if affected Supplier has any;</p> <ul style="list-style-type: none"> Late payments due. Outstanding Credit Cover requirements. <p>If yes, then retain LoC¹⁰, notify Supplier of obligations and END PROCESS.</p> <p>If no, go to 4.5.7</p> | EMRS | Supplier | <p>Supplier’s CM statement of account.</p> <p>Credit Cover requirements.</p> | Email |
| 4.5.7 | | Within 1 WD of 4.5.6 | <p>Cancel invalid LoC</p> <p>END PROCESS</p> | NatWest | Issuing bank | | SWIFT |

¹⁰ Where it is believed that a Supplier is unlikely to meet their CM obligations, Credit Cover will be retained until Supplier has demonstrated compliance.

4.6 Monitoring Credit Cover Sufficiency

EMRS will review the amounts of Credit Cover lodged on a monthly basis to ensure Suppliers meet their obligations. Escalating action will be taken if a Supplier does not meet their obligations and does not take action to rectify their position.

Table 2: Monitoring Credit Cover Sufficiency.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|----------------|---|--|----------|----------|--|------------------|
| 4.6.1 | | By no later than 9 WDs before the start of the month. | Calculate minimum Credit Cover requirement and compare with lodged Credit Cover. | EMRS | - | Credit Cover requirements. Lodged Credit Cover. | Internal process |
| 4.6.2 | 29(1) 29(2) | Following 4.6.1 | If Credit Cover is sufficient then END PROCESS If insufficient, send notice of shortfall and add the Supplier to the Credit Cover Default Register as being in 'Capacity Market Stage 1 Credit Cover Default'. | EMRS | Supplier | Credit Cover Default Register. | Email |
| 4.6.3 | 30(1) 30(2) | Following 4.6.2 | Send Credit Cover Default Register to ESC. | EMRS | ESC | Credit Cover Default Register. | Email |
| 4.6.4 | 30(4) | Following 4.6.3 | Publish Credit Cover Default Register. | ESC | - | Credit Cover Default Register. | Website |
| 4.6.5 | | Within 5 WDs of 4.6.2 | Review Credit Cover Default Register and lodge additional valid Credit Cover ¹¹ | Supplier | EMRS | Credit Cover Default Register. | Process 4.1 |

¹¹ It is the responsibility of the Supplier to maintain adequate Credit Cover at all times to meet their regulatory requirements.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|--------|-------------|--|---|------|----------|--|------------------|
| 4.6.6 | | Following 4.6.5 and no later than 2 WDs before the start of the month. | For those Suppliers that are in Stage 1 default, check if Credit Cover is sufficient. If yes, record lodging, remove from the Credit Cover Default Register, and notify Supplier of successful lodging. END PROCESS. If Credit Cover remains insufficient, invalid, or not received go to 4.6.9 | EMRS | Supplier | Credit Cover Default Register. | Email |
| 4.6.7 | 30(2) | Following 4.6.6 | Send updated Credit Cover Default Register. | EMRS | ESC | Credit Cover Default Register. | Email |
| 4.6.8 | 30(4) | Following 4.6.7 | Publish Credit Cover Default Register. | ESC | - | Credit Cover Default Register. | Website |
| 4.6.9 | | At the same time as 4.6.6 | Issue notice and add the Supplier to the Credit Cover Default Register as being in 'Capacity Market Stage 2 Credit Cover Default'. | EMRS | Supplier | Credit Cover Default Register. | Email |
| 4.6.10 | 30(2) | Following 4.6.9 | Send Credit Cover Default Register. | EMRS | ESC | Credit Cover Default Register. | Email |
| 4.6.11 | 30(4) | Following 4.6.10 | Publish Credit Cover Default Register. | ESC | - | Credit Cover Default Register. | Website |
| 4.6.12 | | Following 4.6.9 | Determine the total Supplier Charges for those Suppliers in Stage 2 Credit Cover Default for that month ¹² | EMRS | - | Credit Cover Default Register; and Supplier Charge schedule. | Internal process |

¹² If a Supplier has not provided sufficient Credit Cover, its Supplier Charge is mutualised across non-defaulting Suppliers.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|--------|----------------|--|--|-----------------|----------|---|--|
| 4.6.13 | | Following 4.6.12 and by no later than the first WD of the month. | Determine the amount of mutualisation payments required for each non-defaulting Supplier and add to monthly invoice. | EMRS | Supplier | Capacity Market Supplier Charge; and Supplier Market Share. | Email |
| 4.6.14 | 30(3) 30(4) | Following 4.6.13 and 295 WDs after the end of Delivery Year. | Remove Supplier from the Credit Cover Default Register. Publish Credit Cover Default Register. END PROCESS. | EMRS ESC | ESC | Credit Cover Default Register. | Internal process /Email Website |

4.7 Monitoring LoC Validity

EMRS will review on a daily basis whether the banks who have issued the LoCs are valid under the CM scheme. Where a bank fails required ratings, Suppliers have 10 Working Days to rectify their position.

Table 3: Monitoring LoC Validity

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|--|---|----------|----------|--|------------------|
| 4.7.1 | 53(3) | Each Working Day by 12pm. | Assess current bank ratings for all LoC-issuing banks. If bank meets validity requirements END PROCESS. If not, go to 4.7.2 | EMRS | - | LoC validity requirements. LoC issuing banks. | Internal process |
| 4.7.2 | | Within 1WD of 4.7.1 | Send notification that Credit Cover needs to be replaced due to downgrade. | EMRS | Supplier | LoCs | Email |
| 4.7.3 | | Following regular checks and as soon as aware of LoC bank ratings being invalid. | Assess current bank ratings for all LoC-issuing banks. If bank meets validity requirements END PROCESS. If not, then go to 4.7.4 | Supplier | - | LoC validity requirements. LoC | |
| 4.7.4 | | Within 1WD of becoming aware. | Send notification of downgrade. | Supplier | EMRS | LoCs | Email |
| 4.7.5 | | Following 4.7.3 or | Provide replacement Credit Cover. | Supplier | EMRS | LoC validity requirements. | Process 4.5 |

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|------------------------------------|---|------|--------------|--------------------------------------|------------------|
| | | 4.7.4 and within 10 WDs of notice. | | | | | |
| 4.7.6 | | Following 4.7.5 | If sufficient and valid to meet requirements, then END PROCESS. If not go to 4.7.7 | EMRS | - | LoC validity requirements. | Internal Process |
| 4.7.7 | | Following 4.7.6 | If replacement Credit Cover not received or not valid, draw down original LoC to full amount and retain cash in ESC credit cover bank account. END PROCESS. | EMRS | Issuing bank | Draw down amount; ESC authorisation. | Process 4.8.5 |

4.8 Drawing down Credit Cover

EMRS will look to draw down on Credit Cover if a Supplier has not made a relevant payment. Relevant payments include Capacity Market Supplier Charge (and reconciliations) and mutualisation payments.

Table 4: Drawing down Credit Cover.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|--|---|-----------------|----------|---|--|
| 4.8.1 | | Following the reconciliation invoice due date. | For outstanding reconciliation amounts where Credit Cover is available, determine the amount and type of Credit Cover to be drawn down. If cash is being drawn down, go to 4.8.3. If LoCs are being drawn down, go to 4.8.4 | EMRS | - | Lodged Credit Cover; Outstanding invoiced amount. | Internal process |
| 4.8.2 | 23(2) | By no later than the 10th WD of the month. | For outstanding monthly Supplier Charge invoices where Credit Cover is available, determine amount and type of Credit Cover to be drawn down. If cash is being drawn down, go to 4.8.3. If LoCs are being drawn down, go to 4.8.4 | EMRS | - | Lodged Credit Cover; Outstanding invoiced amount. | Internal process |
| 4.8.3 | | Following 4.8.1; or 4.8.2 and by no later than 11th WD of month. | Notify Supplier of drawdown. Transfer cash from Credit Cover bank account, reduce Credit Cover lodged and clear overdue items. END PROCESS. | EMRS | Supplier | Draw down amount. | Email Bank transfer Internal process |
| 4.8.4 | 12(3) | Following 4.8.1; or 4.8.2 and by | Notify Supplier of drawdown. Email Form of Demand and draw down on LoC | EMRS NatWest | Supplier | Draw down amount; | Email SWIFT |

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|--|--|--------------|--------------|------------------------------|---------------------|
| | | no later than 11 th Working Day of month. | | | Issuing bank | Form of Demand ¹³ | |
| 4.8.5 | | Following 4.8.4 | Transfer cash to ESC bank account and issue amended LoC (for partial drawdowns). | Issuing bank | ESC NatWest | | Bank transfer SWIFT |
| 4.8.6 | 12(4) | Following 4.8.5 | Reduce Credit Cover lodged and clear overdue items END PROCESS. | EMRS | - | | Internal process |

¹³ [Appendix 2 – Form of Demand](#)

4.9 Monitoring LoC expiry

Suppliers are responsible for ensuring they have provided the correct Credit Cover and it is available at all times during the Credit Obligation Period (D-12 to D+10 for each month they have to lodge Credit Cover). EMRS will monitor the expiring of any Letters of Credit (LoCs) received, to prompt preventative action from Suppliers to ensure sufficient Credit Cover is provided.

Table 5: Monitoring LoC expiry.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|---|--|--------------|----------|----------------------------|------------------|
| 4.9.1 | | Each Working Day at the start of every month. | Identify any LoCs expiring in the next 30 WDs. | EMRS | - | LoC expiry dates. | Internal process |
| 4.9.2 | | Same WD as 4.9.1 | Notify Supplier LoC will expire in next 30 WDs. | EMRS | Supplier | LoC details. | Email |
| 4.9.3 | | Following 4.9.2 No later than 10 WDs prior to the expiry date of the LoC | Provide SWIFT confirmation from the issuing bank that the LoC will be extended by a further period not less than; <ul style="list-style-type: none"> • 6 months or • remaining duration of credit obligation period (if less). Or lodge replacement Credit Cover (if there has also been a shortfall). | Issuing bank | NatWest | | Process 4.5 |
| 4.9.4 | | Following 4.9.3 | If sufficient and valid, amend Credit Cover lodged and END PROCESS. If not, go to 4.9.5 | EMRS | - | | Process 4.6 |

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|-------|-------------|---|--|------|--------------|--------------------------------------|-------------|
| 4.9.5 | | Less than 10WDs left until LoC expires. | <p>If replacement Credit Cover not received or not valid, draw down original LoC to full amount and retain cash in ESC credit cover bank account.</p> <p>END PROCESS.</p> | EMRS | Issuing bank | Draw down amount; ESC authorisation. | Process 4.8 |

4.10 Returning Credit Cover

Suppliers can request return of their Credit Cover at any point in time. Credit Cover will be released subject to the Supplier holding excess Credit Cover and not having any outstanding obligations that affect it, or when the Supplier has provided replacement Credit Cover. Any cash return request must include a valid set of bank details that match the bank details the credit cover was lodged from.

Table 6: Returning Credit Cover.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|--------|----------------|-----------------------|---|----------|------|---|------------------|
| 4.10.1 | 58(1) 58(2) | Ad hoc | Request return of Credit Cover to contact@emrsettlement.co.uk | Supplier | EMRS | Credit Cover type and amount to be returned including Account Name ¹⁴ Authorised Contact ¹⁵ Valid set of bank details | Email |
| 4.10.2 | | Following 4.10.1 | Check whether the return is for Cash or LoC. If Cash move to step 4.10.3, if LoC move to step 4.10.10 | EMRS | | Request Email | Internal process |
| 4.10.3 | | Within 4 WD of 4.10.1 | Check the return Bank Details are the same as the payment Bank details, the results of this check will then form part of the validation checks completed in step 4.10.4 | EMRS | ESC | Credit Cover return bank details Credit Cover payment bank details | Email |
| 4.10.4 | | Within 5 WD of 4.10.1 | Validate request to release Credit Cover | EMRS | | Validate request: valid requestor no late payments or outstanding Credit Cover obligations | Internal process |

¹⁴ An example email request template can be found in [Appendix 5 – Example request to return Credit Cover](#)

¹⁵ See G4 – Authorisations for further information.

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|---------|-------------|------------------------|--|------|----------|--|---------------------------|
| | | | | | | sufficient credit cover after return has been processed | |
| 4.10.5 | | Following 4.10.4 | Where successfully validated seek approval to release Credit Cover | EMRS | ESC | Credit Cover requirements; Lodged Credit Cover; Return request, including type of Credit Cover return. Valid bank details | Email |
| 4.10.6 | | Following 4.10.5 | Where not successfully validated send notification (return to 4.10.1) | EMRS | Supplier | Request from Supplier Reason for failing validation checks | Email |
| 4.10.7 | | Within 5 WDs of 4.10.5 | Approve or reject the release of Credit Cover | ESC | EMRS | | Internal Process Email |
| 4.10.8 | | Following 4.10.7 | Where approved, send notification that request is approved, if rejected move to step 4.10.6 | EMRS | Supplier | As instructed in 4.10.6 | Email |
| 4.10.9 | | Following 4.10.8 | Release Cash Credit Cover to bank account specified on the supplier return request END PROCESS | EMRS | ESC | | Bank transfer |
| 4.10.10 | | Within 5 WD of 4.10.1 | Validate request to release Credit Cover lodged via LoC | EMRS | | Validate request: valid requestor | Internal process |

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|---------|----------------------|---|---|-----------------|--------------------------|---|---------------------------|
| | | | | | | no late payments or outstanding Credit Cover obligations sufficient credit cover after return has been processed | |
| 4.10.11 | | Following 4.10.4 | Where successfully validated seek approval to release Credit Cover | EMRS | ESC | Credit Cover requirements; Lodged Credit Cover; Return request, including type of Credit Cover return. | Email |
| 4.10.12 | | Following 4.10.4 | Where not successfully validated send notification (return to 4.10.1) | EMRS | Supplier | Request from Supplier Reason for failing validation checks | Email |
| 4.10.13 | | Within 5 WDs of 4.10.11 | Approve or reject the release of Credit Cover | ESC | EMRS | | Internal Process Email |
| 4.10.14 | | Following 4.10.13 | Where approved, send notification that request is approved move to step 4.10.15, if rejected move to step 4.10.12 | EMRS | Supplier | As instructed in 4.10.12 | Email |
| 4.10.15 | 58(2)(b) 58(3)(b) | Following 4.10.14 and within 11 WDs of 4.10.1 | Notify bank of cancellation of LoC and notify Supplier. END PROCESS. | EMRS NatWest | Supplier Issuing bank | LoC | Email SWIFT |
| 4.10.16 | | Following 4.10.14 | Notify Supplier that request has been approved and that an | EMRS | Supplier | Amount authorised. | Email |

| Ref | Regulations | When | Action | From | To | Input Information Required | Method |
|---------|-------------|-----------------------------|--|--------------|---------|----------------------------|-------------|
| | | and within 11 WDs of 4.10.1 | amended LoC can be provided. Only needed if making an amendment to current LoC. | | | | |
| 4.10.17 | | Following 4.10.16 | Lodge replacement/substitute Credit Cover and request cancellation of original LoC (if applicable). END PROCESS. | Issuing bank | NatWest | LoC | Process 4.1 |

5. Contact Information

For all demand, forecasting queries please contact:

| Contact Organisation | Contact |
|--|---|
| EMR Settlement Ltd (Settlement Services Provider) | Telephone: 020 7380 4333 Email: contact@emrsettlement.co.uk |

6. Acronyms and Definitions

A full list of acronyms and definitions included in this document can be found in the glossary on the website.¹⁶

¹⁶ <https://www.emrsettlement.co.uk/glossary/>

7. Appendices

7.1 Appendix 1 – SWIFT Letter of Credit format¹⁷

To:

Electricity Settlements Company Limited

10 South Colonnade

Canary Wharf

London

E14 4PU

[DATE]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

1. By this letter we, [insert name of issuer], establish our irrevocable standby letter of credit ("letter of credit") number [number] in your favour at the request of [name of relevant supplier] (the "Principal") of [address of relevant supplier] for the maximum aggregate pounds sterling amount of [£x.xx], [written version of the amount], (the "Maximum Amount").
2. This letter of credit is established in connection with the Principal's obligations under the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (as amended or modified from time to time) (the "Regulations").
3. We unconditionally and irrevocably undertake to pay you, in pounds sterling to the bank account set out in your written demand for payment, the amount you claim on the date or if presentation is made after close of business, presentation is therefore deemed to have been made on the next business day that we receive your duly completed written demand at [insert details of the issuing bank, department name and/or officer and address – Note: insert at least one precise location as close as possible to 10 South Colonnade, Canary Wharf, London, E14 4PU] or any of our other London branches or by email to [insert email address] or by SWIFT via your bankers National Westminster Bank Plc (SWIFT code NWBKGB2L), subject to the following conditions:
 - Your demand must be received by us by 17.00 (London time) on the Expiry Date (as defined in paragraph 4); and
 - Your demand must be substantially in the form attached to this letter of credit signed by you stating that the Principal has failed to comply with its obligations under the Regulations and the amount claimed which, in aggregate with any other claims made under this letter of credit, must not exceed the Maximum Amount.
4. This letter of credit shall expire at 17.00 (London time) on [date] ("Expiry Date"), after which we shall have no further liability to you, except in relation to any demand validly presented before expiry of this letter of credit that remains unpaid.
5. A demand may be made for less than the Maximum Amount.

¹⁷ The following constitutes the message that should be issued via a MT760 type SWIFT.

6. More than one demand may be made ("Multiple Demands"). The aggregate of the Multiple Demands shall not exceed the Maximum Amount.
7. Payments under this letter of credit will be effected immediately to the account you specify in your demand.
8. This letter of credit and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The parties to this letter of credit irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction over any dispute or claim arising out of or in connection with this letter of credit or its subject matter or formation (including non-contractual disputes or claims).
9. Except to the extent it is inconsistent with the express terms of this letter of credit, this letter of credit is subject to the International Standby Practices ISP 98, ICC Publication No. 590.

Yours faithfully,

For and on behalf of

[Issuing bank]

FORM OF DEMAND

DEMAND UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

We, Electricity Settlements Company Limited, refer to the irrevocable letter of credit ("**letter of credit**") number *[number]* issued by you in our favour. This is a written demand under the letter of credit. Terms defined in the letter of credit have the same meaning in this demand.

We certify that the Principal has failed to comply with its obligations under the Regulations. The amount claimed by us is *[currency and amount]* ("**Claimed Amount**"), which we hereby demand.

We further certify that the aggregate of the Claimed Amount and all other amounts previously claimed by us under the letter of credit does not exceed the Maximum Amount specified in the letter of credit.

This demand is dated on or before the Expiry Date set out in the letter of credit.

We hereby demand immediate payment of the Claimed Amount and that the Claimed Amount be paid into the following bank account: *[details of account to be inserted by ESC]*.

7.2 Appendix 2 – Approved Form of Letter of Credit¹⁸

To:

Electricity Settlements Company Limited

10 South Colonnade

Canary Wharf

London

E14 4PU

[DATE]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

1. By this letter¹⁹ we, [insert name of issuer]²⁰, establish our irrevocable standby letter of credit ("**letter of credit**") number [number] in your favour at the request of [name of relevant supplier]²¹ (the "**Principal**") of [address of relevant supplier] for the maximum aggregate pounds sterling²² amount of [£x.xx], [written version of the amount], (the "**Maximum Amount**").
2. This letter of credit is established in connection with the Principal's obligations under the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (as amended or modified from time to time) (the "**Regulations**").
3. We unconditionally and irrevocably undertake to pay you, in pounds sterling to the bank account set out in your written demand for payment, the amount you claim on the date or if presentation is made after close of business, presentation is therefore deemed to have been made on the next business day that we receive your duly completed written demand at [insert details of the issuing bank, department name and/or officer and address – Note: insert at least one precise location as close as possible to 10 South Colonnade, Canary Wharf, London, E14 4PU] or any of our other London branches or by

¹⁸ Footnotes are for guidance only and should not be replicated in the Letter of Credit when issued.

This Letter of Credit should be provided by a Supplier who is required to provide Credit Cover under the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (the "Supplier Payment Regulations"). Regulation 28 of the Supplier Payment Regulations requires Suppliers to provide Credit Cover as surety for their obligation to fund capacity payments. Credit Cover can be provided in the form of cash and/or Letter of Credit. Electricity Settlements Company Limited ("ESC") is the Settlement Body referred to in the Supplier Payment Regulations in favour of whom the Credit Cover must be provided. This Letter of Credit template constitutes a form of Letter of Credit that would be acceptable by ESC, though ESC reserves the right to amend the template from time to time.

¹⁹ Letters of Credit provided by a bank other than National Westminster Bank plc must be provided through the interbank SWIFT banking system to: National Westminster Bank Plc – SWIFT Code NWBKGB2L. Letters of Credit provided by National Westminster Bank plc cannot be provided through the interbank SWIFT system and will be communicated to EMRS directly.

²⁰ Regulation 26 of the Supplier Payment Regulations provides that Regulations 53 - 58 of the Electricity Capacity Regulations 2014 (the "Capacity Regulations") apply to the provision of Credit Cover by Suppliers. Accordingly, Regulation 54 of the Capacity Regulations applies which requires the Issuer of Letters of Credit to be:

- a. a United Kingdom clearing bank,
- b. any other bank which has a long term debt rating of –
 - o not less than A3 by Moody's Investors Service, Inc. (incorporated in the US State of Delaware with file number 0577904); or
 - o not less than A- by Standard & Poor's Corporation (incorporated in the US State of Delaware with file number 4621989), or
- c. Such other bank as the Settlement Body may approve.

²¹ The Principal must be the Supplier. The name of the Supplier needs to match the name of the Supplier as held in the records of ESC.

²² Letters of Credit must be in pounds sterling.

email to *[insert email address]* or by SWIFT via your bankers National Westminster Bank Plc (SWIFT code NWBKGB2L), subject to the following conditions:

- Your demand must be received by us by 17.00 (London time) on the Expiry Date (as defined in paragraph 4); and
 - Your demand must be substantially in the form attached to this letter of credit signed by you stating that the Principal has failed to comply with its obligations under the Regulations and the amount claimed which, in aggregate with any other claims made under this letter of credit, must not exceed the Maximum Amount.
4. This letter of credit shall expire at 17.00 (London time) on *[date]* ("**Expiry Date**"), after which we shall have no further liability to you, except in relation to any demand validly presented before expiry of this letter of credit that remains unpaid.
 5. A demand may be made for less than the Maximum Amount.
 6. More than one demand may be made ("**Multiple Demands**"). The aggregate of the Multiple Demands shall not exceed the Maximum Amount.
 7. Payments under this letter of credit will be effected immediately to the account you specify in your demand.
 8. This letter of credit and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The parties to this letter of credit irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction over any dispute or claim arising out of or in connection with this letter of credit or its subject matter or formation (including non-contractual disputes or claims).
 9. Except to the extent it is inconsistent with the express terms of this letter of credit, this letter of credit is subject to the International Standby Practices ISP 98, ICC Publication No. 590.

Yours faithfully,

.....

For and on behalf of

[Issuing bank]

ANNEX

FORM OF DEMAND

To: *[issuing bank, department and/or officer name and address/email address]*

[DATE]

Dear Sirs,

DEMAND UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: *[NUMBER]*

We, Electricity Settlements Company Limited, refer to the irrevocable letter of credit ("**letter of credit**") number *[number]* issued by you in our favour. This is a written demand under the letter of credit. Terms defined in the letter of credit have the same meaning in this demand.

We certify that the Principal has failed to comply with its obligations under the Regulations. The amount claimed by us is *[currency and amount]* ("**Claimed Amount**"), which we hereby demand.

We further certify that the aggregate of the Claimed Amount and all other amounts previously claimed by us under the letter of credit does not exceed the Maximum Amount specified in the letter of credit.

This demand is dated on or before the Expiry Date set out in the letter of credit.

We hereby demand immediate payment of the Claimed Amount and that the Claimed Amount be paid into the following bank account:

[Details of account to be inserted by ESC].

Yours faithfully,

.....

For and on behalf of **Electricity Settlements Company Limited**

7.3 Appendix 3 – SWIFT Letter of Credit format (provided by third party)²³

To:

Electricity Settlements Company Limited

10 South Colonnade

Canary Wharf

London

E14 4PU

[DATE]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

1. By this letter we, [insert name of issuer], establish our irrevocable standby letter of credit ("**letter of credit**") number [number] in your favour at the request of [name and registered company number of relevant entity requesting the letter of credit] (the "**Requester**") on behalf of [name of relevant supplier] (the "**Principal**") of [address of relevant supplier] for the maximum aggregate pounds sterling amount of [£x.xx], [written version of the amount], (the "**Maximum Amount**").
2. This letter of credit is established in connection with the Principal's obligations under the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (as amended or modified from time to time) (the "**Regulations**").
3. We unconditionally and irrevocably undertake to pay you, in pounds sterling to the bank account set out in your written demand for payment, the amount you claim on the date or if presentation is made after close of business, presentation is therefore deemed to have been made on the next business day that we receive your duly completed written demand at [insert details of the issuing bank, department name and/or officer and address – Note: insert at least one precise location as close as possible to 10 South Colonnade, Canary Wharf, London, E14 4PU] or any of our other London branches or by email to [insert email address] or by SWIFT via your bankers National Westminster Bank Plc (SWIFT code NWBKGB2L), subject to the following conditions:
 - your demand must be received by us by 17.00 (London time) on the Expiry Date (as defined in paragraph 4); and
 - Your demand must be substantially in the form attached to this letter of credit signed by you stating that the Principal has failed to comply with its obligations under the Regulations and the amount claimed which, in aggregate with any other claims made under this letter of credit, must not exceed the Maximum Amount.
4. This letter of credit shall expire at 17.00 (London time) on [date] ("**Expiry Date**"), after which we shall have no further liability to you, except in relation to any demand validly presented before expiry of this letter of credit that remains unpaid.
5. A demand may be made for less than the Maximum Amount.

²³ The following constitutes the message that should be issued via a MT760 type SWIFT.

6. More than one demand may be made (“**Multiple Demands**”). The aggregate of the Multiple Demands shall not exceed the Maximum Amount.
7. Payments under this letter of credit will be effected immediately to the account you specify in your demand.
8. This letter of credit and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The parties to this letter of credit irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction over any dispute or claim arising out of or in connection with this letter of credit or its subject matter or formation (including non-contractual disputes or claims).
9. Except to the extent it is inconsistent with the express terms of this letter of credit, this letter of credit is subject to the International Standby Practices ISP 98, ICC Publication No. 590.

Yours faithfully,

For and on behalf of

[*Issuing bank*]

FORM OF DEMAND

DEMAND UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

We, Electricity Settlements Company Limited, refer to the irrevocable letter of credit (“**letter of credit**”) number [*number*] issued by you in our favour. This is a written demand under the letter of credit. Terms defined in the letter of credit have the same meaning in this demand.

We certify that the Principal has failed to comply with its obligations under the Regulations. The amount claimed by us is [*currency and amount*] (“**Claimed Amount**”), which we hereby demand.

We further certify that the aggregate of the Claimed Amount and all other amounts previously claimed by us under the letter of credit does not exceed the Maximum Amount specified in the letter of credit.

This demand is dated on or before the Expiry Date set out in the letter of credit.

We hereby demand immediate payment of the Claimed Amount and that the Claimed Amount be paid into the following bank account: [*details of account to be inserted by ESC*].

7.4 Appendix 4 – Approved Form of Letter of Credit (provided by third party)²⁴

To:

Electricity Settlements Company Limited

10 South Colonnade

Canary Wharf

London

E14 4PU

[DATE]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: [NUMBER]

1. By this letter²⁵ we, [insert name of issuer],²⁶ establish our irrevocable standby letter of credit (“**letter of credit**”) number [number] in your favour at the request of [name and registered company number of relevant entity requesting the letter of credit] (the “**Requester**”) on behalf of [name of relevant supplier]²⁷ (the “**Principal**”) of [address of relevant supplier] for the maximum aggregate pounds sterling²⁸ amount of [£x.xx], [written version of the amount], (the “**Maximum Amount**”).
2. This letter of credit is established in connection with the Principal’s obligations under the Electricity Capacity (Supplier Payment etc.) Regulations 2014 (as amended or modified from time to time) (the “**Regulations**”).
3. We unconditionally and irrevocably undertake to pay you, in pounds sterling to the bank account set out in your written demand for payment, the amount you claim on the date or if presentation is made after close of business, presentation is therefore deemed to have been made on the next business day that we receive your duly completed written demand at [insert

²⁴ Footnotes are for guidance only and should not be replicated in the Letter of Credit when issued.

This Letter of Credit should be provided by a Supplier who is required to provide Credit Cover under the *Electricity Capacity (Supplier Payment etc.) Regulations 2014* (the “**Supplier Payment Regulations**”). Regulation 28 of the Supplier Payment Regulations requires Suppliers to provide Credit Cover as surety for their obligation to fund capacity payments. Credit Cover can be provided in the form of cash and/or Letter of Credit. Electricity Settlements Company Limited (“**ESC**”) is the Settlement Body referred to in the Supplier Payment Regulations in favour of whom the Credit Cover must be provided. This Letter of Credit template constitutes a form of Letter of Credit that would be acceptable by ESC, though ESC reserves the right to amend the template from time to time.

²⁵ Letters of Credit provided by a bank other than National Westminster Bank plc must be provided through the interbank SWIFT banking system to: National Westminster Bank Plc – SWIFT Code NWBKGB2L. Letters of Credit provided by National Westminster Bank plc cannot be provided through the interbank SWIFT system and will be communicated to EMRS directly.

²⁶ Regulation 26 of the Supplier Payment Regulations provides that Regulations 53 - 58 of the *Electricity Capacity Regulations 2014* (the “**Capacity Regulations**”) apply to the provision of Credit Cover by Suppliers. Accordingly, Regulation 54 of the Capacity Regulations applies which requires the Issuer of Letters of Credit to be:

- a. a United Kingdom clearing bank,
- b. any other bank which has a long term debt rating of –
 - o not less than A3 by Moody’s Investors Service, Inc. (incorporated in the US State of Delaware with file number 0577904); or
 - o not less than A- by Standard & Poor’s Corporation (incorporated in the US State of Delaware with file number 4621989), or
- c. Such other bank as the Settlement Body may approve.

²⁷ The Principal must be the Supplier. The name of the Supplier needs to match the name of the Supplier as held in the records of ESC.

²⁸ Letters of Credit must be in pounds sterling.

details of the issuing bank, department name and/or officer and address – Note: insert at least one precise location as close as possible to 10 South Colonnade, Canary Wharf, London, E14 4PU] or any of our other London branches or by email to [insert email address] or by SWIFT via your bankers National Westminster Bank Plc (SWIFT code NWBKGB2L), subject to the following conditions:

- your demand must be received by us by 17.00 (London time) on the Expiry Date (as defined in paragraph 4); and
 - Your demand must be substantially in the form attached to this letter of credit signed by you stating that the Principal has failed to comply with its obligations under the Regulations and the amount claimed which, in aggregate with any other claims made under this letter of credit, must not exceed the Maximum Amount.
4. This letter of credit shall expire at 17.00 (London time) on [date] (“**Expiry Date**”), after which we shall have no further liability to you, except in relation to any demand validly presented before expiry of this letter of credit that remains unpaid.
 5. A demand may be made for less than the Maximum Amount.
 6. More than one demand may be made (“**Multiple Demands**”). The aggregate of the Multiple Demands shall not exceed the Maximum Amount.
 7. Payments under this letter of credit will be effected immediately to the account you specify in your demand.
 8. This letter of credit and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of England and Wales. The parties to this letter of credit irrevocably agree that the courts of England and Wales shall have exclusive jurisdiction over any dispute or claim arising out of or in connection with this letter of credit or its subject matter or formation (including non-contractual disputes or claims).
 9. Except to the extent it is inconsistent with the express terms of this letter of credit, this letter of credit is subject to the International Standby Practices ISP 98, ICC Publication No. 590.

Yours faithfully,

.....

For and on behalf of

[Issuing bank]

ANNEX

FORM OF DEMAND

To: *[issuing bank, department and/or officer name and address/email address]*

[DATE]

Dear Sirs,

DEMAND UNDER IRREVOCABLE STANDBY LETTER OF CREDIT NUMBER: *[NUMBER]*

We, Electricity Settlements Company Limited, refer to the irrevocable letter of credit ("**letter of credit**") number *[number]* issued by you in our favour. This is a written demand under the letter of credit. Terms defined in the letter of credit have the same meaning in this demand.

We certify that the Principal has failed to comply with its obligations under the Regulations. The amount claimed by us is *[currency and amount]* ("**Claimed Amount**"), which we hereby demand.

We further certify that the aggregate of the Claimed Amount and all other amounts previously claimed by us under the letter of credit does not exceed the Maximum Amount specified in the letter of credit.

This demand is dated on or before the Expiry Date set out in the letter of credit.

We hereby demand immediate payment of the Claimed Amount and that the Claimed Amount be paid into the following bank account:

[Details of account to be inserted by ESC]

Yours faithfully,

.....

For and on behalf of **Electricity Settlements Company Limited**

7.5 Appendix 5 – Example request to return Credit Cover

The below must be submitted by an appropriate Authorised Contact for the organisation²⁹. In this case, it would be a Credit Cover Contact, Finance Authority or Primary Party Authority registered under the organisation's Supplier role. This template should be sent to contact@emrsettlement.co.uk.

Please return supplier CM Credit Cover for [EMR Party ID] as specified below³⁰.

Amount: [£0.00]

Type: [Cash/LoC]

Cash details (Cash return only):

- Account Name: The Bank Account Name provided must exactly match the account name held by the account holding bank³¹.
- Sort Code & Account Number: these details must match the bank details EMRS has on record for Credit Cover returns.

LoC details (LoC return only):

- LoC reference number: [ref #]
- Issuing bank: [bank name].

²⁹ G4 – 'EMR Settlement Authorisations' <https://emrsettlement.co.uk/publications/guidance>

³⁰ Please complete the template for each different return e.g. returning two LoCs would require two templates (can be submitted within one email).

³¹ [Confirmation of Payee](#) was introduced from 1 April 2020 for single payments made online via Faster Payments or CHAPS to mitigate the risk of certain types of Authorised Push Payment (APP) fraud. Failure to provide the exact matching account name may result in a delay in the release of Credit Cover.



EMR
SETTLEMENT
LIMITED

