

TYPE & NUMBER EMR Circular 67

Date 1 December 2015

To EMR Circular List, Company Primary Email, Finance Authorities, Finance Contacts and Credit Cover Contacts

From EMR Settlement Limited

Purpose For action

Suppliers are required to lodge CFD Credit Cover

We would like to inform **Suppliers** that they have an obligation to lodge CFD Credit Cover for the quarterly obligation period **1 January 2016 to 31 March 2016**. The obligations related to Credit Cover are detailed within the [Contracts for Difference \(Electricity Supplier Obligations\) Regulations 2014](#).

To support Suppliers in this task this circular provides further details in terms of how to lodge, calculate and monitor your Credit Cover. These documents will also support Suppliers in these areas:

- [Working Practices 42 – Supplier CFD Credit Cover](#)
- [Guidance G5 – Supplier CFD Credit Cover](#)

On 25 November, we issued [EMRC66](#) explaining the above documents.

Which Suppliers have to lodge Credit Cover?

Any Supplier who is supplying electricity has an obligation to lodge sufficient valid Credit Cover to meet their minimum calculated requirements. It is the Supplier's responsibility to ensure that Low Carbon Contracts Company Ltd (LCCC) is holding sufficient Credit Cover on any particular day in the relevant period.

What types of Credit Cover can be used?

Credit Cover can be lodged as cash, Letter of Credit or combination of both. We'd like to recommend the following when lodging Credit Cover:

- Once Credit Cover has been provided (either cash or Letter of Credit) please notify us this has been actioned including the amount and format to contact@emrsettlement.co.uk
- If issuing a Letter of Credit it should be sent via a secure courier to our offices.

The bank account details and the approved Letter of Credit template can all be found in [WP42 – Supplier CFD Credit Cover](#).

When does my Credit Cover need to be in place?

Valid Credit Cover needs to be lodged prior to the first working day of the quarterly obligation period.

First working day of the quarterly obligation period	The working day prior to the first working day of the quarterly obligation period
Monday 4 January 2016	Friday 31 December 2015

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Suppliers are encouraged to be mindful of the festive period and potential bank and postal service delays to ensure valid Credit Cover is received by us on or before **Friday 31 December 2015**. This is to ensure you fulfil your Credit Cover requirement on **Monday 4 January 2016**.

How much Credit Cover is required?

The minimum Credit Cover requirement is:

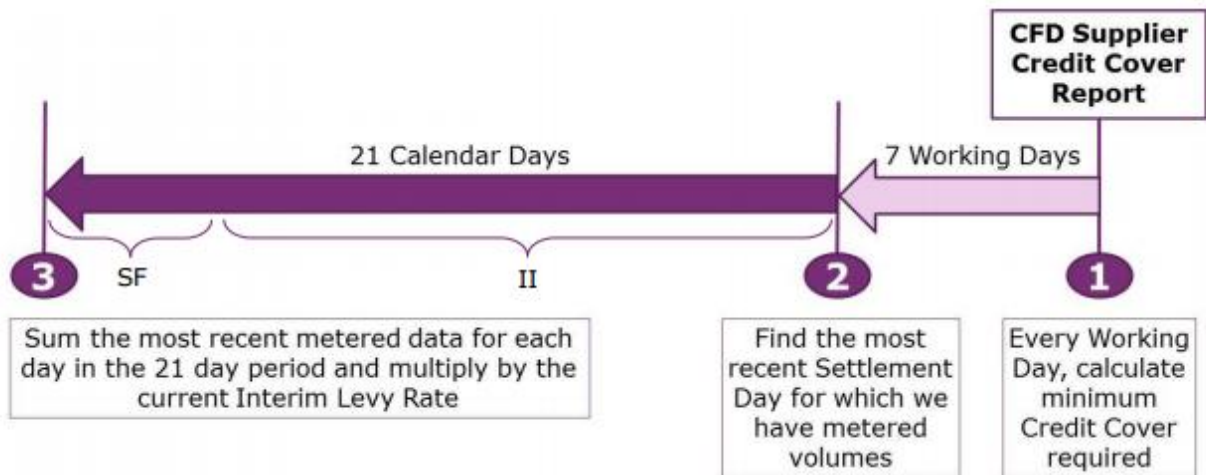
- A Supplier's metered volumes for a 21 day reference period multiplied by the Interim Levy Rate

This calculation is performed each Working Day and a Supplier will be sent a **Daily Credit Cover Report** to enable the Supplier to manage their Credit Cover position. The Interim Levy Rate for the quarterly obligation period **1 January 2016 to 31 March 2016** was determined at **£0.348 per MWh** by LCCC. This was notified to all Suppliers via a notice on 30 September 2015.

We would like to emphasise that, as this is the first time Suppliers are obliged to lodge Credit Cover, there is no cure period available if Suppliers do not have sufficient Credit Cover in place on the **Monday 4 January 2016**. This means that the first escalating action will be a Credit Cover Default Notice, which is issued to the relevant Supplier and to Ofgem.

How is the 21 day reference period calculated?

The 21 day period will start 7 WDs prior to the day on which the Credit Cover calculation is being performed. The reference period will include metered data from both Interim Information (II) and Settlement Final (SF) settlement runs. An example of the data used in a typical reference period is shown below.



We can confirm that the first requirement is based on:

- The Daily Credit Cover Report issued on **Monday 4 January 2016**
- A reference period (21 Calendar Days) of **1 December 2015 to 21 December 2015**

Why does Credit Cover have to be lodged?

Supplier Credit Cover provides LCCC with a guarantee of payment if a Supplier does not meet their obligations. This protects LCCC's ability to make payments to CFD Generators and therefore the wider industry from adverse impacts as a result of non-payment by any individual Supplier.

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We (as the EMR Settlement Services Provider) manage a number of the credit cover process on behalf of LCCC and these are detailed within [WP42 – Supplier CFD Credit Cover](#).

What FAQs do we have on CFD Credit Cover?

We've provided some FAQs on Supplier CFD Credit Cover processes that may answer your query. These include:

- How will I be informed of by Credit Cover requirement?
- What are the requirements for the Letter of Credit?
- What happens if I lodge insufficient Credit Cover?
- What is the process for requesting excess Credit Cover?

The [FAQs](#) are available on the EMRS website.

Where can I get more information?

If you have any further questions about this circular, or your upcoming obligations, please email contact@emrsettlement.co.uk or call 020 7380 4333.