
TYPE & NUMBER EMRC95

Date 23 August 2016

To EMR Circular List, Finance Authorities, Finance Contacts and Credit Cover Contacts

From EMR Settlement Limited

Purpose For Action

Reminder: Suppliers need to lodge Credit Cover for the Capacity Market by 15 September 2016

This circular reminds **Suppliers** that they need to lodge Credit Cover for each month of the Delivery Year¹. For October, the first month of the 2016/17 Delivery Year, Credit Cover is required to be lodged by **15 September 2016**. We sent you a [schedule outlining the amounts of Credit Cover needed](#) for each month of the upcoming Delivery Year on 29 July 2016.

This circular also highlights that the **process for lodging a Letter of Credit has been amended**. You now need to request that your bank uses the SWIFT process rather than sending a physical letter to EMRS in the post.

Who does this impact?

This impacts **Suppliers** who received a schedule of their minimum Credit Cover requirements on 29 July 2016.

How much Credit Cover is required?

The minimum requirement is 110% a Supplier's monthly Capacity Market Supplier Charge. Please refer to the schedule of Credit Cover Requirements which was sent to your company email on 29 June 2016.

Whilst the scheme allows Suppliers the flexibility to manage their Credit Cover position on a monthly basis, Suppliers may find it more convenient to simply lodge their maximum Credit Cover requirement for longer periods.

Does my currently lodged CFD Credit Cover meet the CM Monthly Requirement?

No, this obligation is separate to any other Credit Cover obligations that Suppliers may face (such as under the Contracts for Difference) and any Credit Cover lodged through this obligation will be treated independently of other requirements.

If you have excess Credit Cover under either scheme you may request it to be transferred across but this has to be initiated by an authorised person and approved by LCCC or ESC as appropriate. It will not be done automatically; Suppliers are responsible for maintaining Credit Cover to meet their requirements.

¹ This is directed under the Electricity Capacity (Supplier Payment etc.) Regulations 2014, as amended.

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What types of Credit Cover can be used?

Credit Cover can be accepted as either cash or Letter of Credit or a combination of the two. The bank account details and the approved Letter of Credit template can all be found in [WP45 – Supplier CM Credit Cover](#).

WP45 has been updated to reflect the move to digital Letters of Credit. This has impacted the process for lodging a Letter of Credit and the drawn down on it. You now need to request that your bank uses SWIFT rather than sending a physical letter in the post to EMRS. The Letter of Credit template has been updated to accommodate this so please ensure that you use the correct version.

Please note the bank account and Letter of Credit templates are **different** than those used for CFD Credit Cover.

I started using the old Letter of Credit template, what should I do?

Where possible we would like you to use the new process as we feel this is more efficient and cuts down on administration for all parties. If you believe there will be issues with implementing the new process in the timelines, please get in touch with our Service Desk to see how we can help.

When does my Credit Cover need to be in place?

Suppliers are required to lodge Credit Cover by no later than 12 Working Days before the start of a month within a Delivery Year. As October is the first month of the 2016/17 Delivery Year, Credit Cover for that month needs to be lodged by **5pm on 15 September 2016**.

In order for Credit Cover to be considered to be lodged the cash amount must have been received in the relevant bank account or a valid Letter of Credit must have been received electronically by EMRS before the above deadline. The Letter of Credit must have an effective date of no later than 15 September 2016.

If the Credit Cover is lodged in cash, do I receive interest on it?

Yes, monthly interest is paid on Credit Cover lodged in cash. You won't receive a Credit Note but a remittance advice will be issued to you.

What documents should I look at for further information?

[WP45 – Supplier CM Credit Cover](#) provides details on the process for lodging and refunding Credit Cover including the Letter of Credit templates and bank details.

[G14 - Supplier CM Credit Cover](#) provides information on the following questions:

- Why must Credit Cover be lodged?
- What is the Credit Cover used for and when is it used?
- Who must lodge Credit Cover?
- How much and what type of Credit Cover is required?
- What happens if I do not provide enough Credit Cover?
- If I am new to the market when do I need to first lodge Credit Cover?
- What if I have provided too much Credit?

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