

Additional Credit Tools and Independent Assessment – post Best Practice Guidelines

TCMF

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National Grid Electricity Transmission plc

Credit Requirements for Use of System Charges

Company A

Max Unsecured Credit Cover	£104,180,000
Base Security Requirement (Value at Risk)	
Annual TNUoS Liability	£6,721,841.75
Forecasting Performance %	4.10%
BSUoS Liability	£237,159.63
Security Requirement	£513,023.23
User's Allowed Credit	
Approved Credit Rating	
Approved Credit Rating	
Allowance %	0
Allowance	£0.00
Payment Record Sum	
Payment record %	0.37%
Allowance	£385,466.00
Independent Credit Assessment	
Credit Assesment Score	LogicaCMG EPFAL Limited - 1
Allowance %	3.33%
Allowance	£3,469,194.00
User's Allowed Credit	£3,469,194.00
Security Cover Required	£0.00
Existing Security Provided (Security Amount)	
Cash in Escrow	£0.00
Letter of Credit	£0.00
Parent Company Guarantee	£0.00
Security Surplus	£0.00

Collateral Tools

- ◆ Letter of Credit
 - ◆ Qualifying Guarantee (Parent Company Guarantee)
 - ◆ Escrow Account
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- ◆ Independent Security
 - ◆ Bilateral Insurance Policy
 - ◆ Insurance Performance Bond
- } Subject to Requirements

Requirements

- ◆ (a) holds a rating of at least A- in Standard and Poor's long term debt rating or A3 In Moody's long term debt rating.
- ◆ (b) the country of residence of such entity meets the **Required Sovereign Credit Rating** (a long term debt rating of not less than A by Standard and Poor's /A2 by Moody's)
- ◆ (c) the security provided is **Enforceable**
- ◆ (d) there are no material conditions preventing the exercise by **The Company** of its rights

Independent Credit Assessment Agencies

- ◆ Dunn and Bradstreet
- ◆ LogicaCMG EPFAL Limited
- ◆ Graydon UK Limited

Credit Assessment Score

Credit rating	Credit assessment score	Credit allowance as % of maximum credit limit (£104,180,000)
AAA/AA	N/a	100
A	N/a	40
BBB+	10	20
BBB	9	19
BBB-	8	18
BB+	7	17
BB	6	16
BB-	5	15
<BB-	4	13-1/3
	3	10
	2	6-2/3
	1	3-1/3
	0	0

Benefits

- ◆ Reduces levels of security and working capital.
- ◆ Affords non rated companies an allowance based on credit scoring principles available to Investment Grade Rated users.
- ◆ Reduce barriers to entry.
- ◆ 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.