

Single Electricity Market

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| Final REcommendation Report  *Mod\_29\_11: revision of standard letter of credit template*  16 November 2011 |

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Document History

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| **Version** | **Date** | **Author** | **Comment** |
| 0.3 | 08 November 2011 | Modifications Committee Secretariat | Issued to Modifications Committee for review and approval |
| 1.0 | 16 November 2011 | Modifications Committee Secretariat | Issued to Regulatory Authorities for final decision |

Reference Documents

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| --- |
| **Document Name** |
| [Trading and Settlement Code](http://semopub/MarketDevelopment/MarketRules/TSC.doc) |
| [Mod\_29\_11: Revision of Standard Letter of Credit Template](http://semopub/MarketDevelopment/ModificationDocuments/Mod_29_11%20Standard%20Letter%20of%20Credit%20Revisions.docx) |
| [Mod\_29\_11\_V2: Revision of Standard Letter of Credit Template](http://semopub/MarketDevelopment/ModificationDocuments/Mod_29_11%20Standard%20Letter%20of%20Credit%20Revisions.docx) |

Relevant Sections

| **In accordance with Section 2.215 of the Trading & Settlement Code, the sections marked applicable will be included in the FRR** | |
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| **Modifications Committee Recommendation** | **Applicable** |
| **Development Process** | **Applicable** |
| **Purpose of Proposed Modification**  a.) Justification for Modification  b.) Impact of not implementing a solution  c.) Impact on Code Objectives | **Applicable** |
| **Assessment of Alternatives** | **Applicable** |
| **Working Group and/or Consultation** | **N/A** |
| **Impact on other Codes/Documents** | **N/A** |
| **Impact on Systems and Resources** | **N/A** |
| **Modifications Committee Views** | **Applicable** |
| **Proposed Legal Drafting** | **Applicable** |
| **Legal Review** | **Applicable** |
| **Implementation Timescale** | **Applicable** |

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# MODIFICATIONS COMMITTEE RECOMMENDATION

## Recommended for approval – Majority vote

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| **Recommended for Approval by majority vote (subject to additional wording as set out in the FRR)** | | |
| **Recommended for Approval:** | | |
| Generator Alternate | Brian Mongan | AES |
| Generator Alternate | Mary Doorly | IWEA |
| Generator Member | Kevin Hannafin | Viridian Power & Energy |
| Supplier Alternate | Philip Carson | Power NI |
| Supplier Member | Jill Murray | Bord Gáis Energy Supply |
| **Recommended for Deferral:** | | |
| Generator Member | Andrew Burke | ESBI |
| **Abstained from voting:** | | |
| Supplier Alternate | Emeka Chukwureh | Airtricity |

# 2 DEVELOPMENT PROCESS

The Modification Proposal was raised by SEMO and proposed standardising the Letter of Credit form in Appendix A of the T&SC to align with internationally recognised finance standards. It was first presented at Meeting 37 on 09 August 2011 where it was discussed with Mod\_23\_11 *Additional Clause for Standard Letter of Credit*. The proposal was deferred at the Meeting to allow the proposer of Mod\_23\_11 to consult with their bank as to whether the wording could be included as part of Mod\_29\_11. Version 2 of the proposal was presented at Meeting 38 on 10 October 2011.

# 3 PURPOSE OF PROPOSED MODIFICATION

## 3A.) Justification for Modification

This Modification Proposal replaces the current template with one that aligns with internationally recognised finance standards set out in Uniform Customs & Practice for Documentary Credits (UCP600). This is the international standard used for documentary credits or Letters of Credit.

Appendix 3 below provides supporting guidelines for Participants and their banks, which would indicate all fields required to be filled out on their behalf.

## 3B.) Impact of not Implementing a Solution

If this Modification Proposal is not approved, the current template will remain in a non-standard format that may not be accepted by banks or may increase the processing required to provide a Letter of Credit.

## 3c.) Impact on Code Objectives

The Modification furthers Code Objective 1.3.2 "to facilitate the efficient operation and administration of the Single Electricity Market."

# 4 assessment of alternatives

One alternative was delivered over the lifespan of the proposal. Please see Appendices 1 and 2 below for the original version of the proposal ([Mod\_29\_11](http://semopub/MarketDevelopment/ModificationDocuments/Mod_29_11%20Standard%20Letter%20of%20Credit%20Revisions.docx)) and the Alternative version of the proposal ([Mod\_29\_11\_V2](http://semopub/MarketDevelopment/ModificationDocuments/Mod_29_11_V2_LOC.docx).

# 5 Working Group And/Or Consultation

N/A

# 6 Impact on other Codes/Documents

N/A

# 7 impact on systems and resources

N/A

# 8 MODIFICATION COMMITTEE VIEWS

## Meeting 37 - 09 August 2011

Proposers gave a brief summary of both Mod 23\_11 *Additional Clause for Standard Letter of Credit* and Mod\_29\_11\_V2 *Revision of Standard Letter of Credit Template*. Supplier Alternate was in favour of discussing both proposals at the Working Group on Mod\_16\_11 *Credit Worthiness Test for the SEM Bank and Credit Cover Provider banks*. SEMO Alternate expressed the view that it would be advisable to keep the proposals separate from the Working Group as it would be examining the broader topic of Credit Rating providers; whereas Mod\_29\_11 is a well developed proposal associated with process improvements utilising one accepted standard from for Letters of Credit. Supplier Alternate was agreeable that the new standardised form should be in the Code however queried as to whether it should be the only form that is utilised?

Proposer (Mod\_29\_11) stated that the Code wording is extremely strict and that SEMO has streamlined the wording in Mod\_29\_11 in order to ensure that it aligns with internationally recognised finance standards as set out in Uniform Customs & Practice for Documentary Credits (UCP600) and to decrease ambiguity. Supplier Alternate accepted that point however queried as to what would happen if the bank were in favour of utilising a different form and reiterated the query of whether one standard template should be the only and absolute template? Proposer advised that the wording in Mod\_29\_11, as is the case for the current Letter of Credit template, would be the only wording accepted for the SEM and that standard Letters of Credit are equal and equitable to everybody in the SEM. Supplier Member advised that NIE ES’s financial experts had reviewed the proposals and had no issues with either, however noted a minor error in Appendix 1 of Mod\_29\_11 where the text should read “Applicant (Market Participant) ” rather than “Applicant (Market Participant’s Bank)”.

Observer queried under which legislation one disputes a Letter of Credit if opposed to it. Proposer advised that jurisdiction is irrelevant for disputes and that the recent UCP600 is binding for all jurisdictions, and governs all action on disputes. The Chair queried as to whether the legal drafting in Mod\_23\_11 *Additional clause for Standard Letter of Credit* could be included as additional wording to Mod\_29\_11. SEMO advised that the wording of Mod\_23\_11 is not featured in SEMO’s Mod\_29\_11. SEMO Alternate advised that the SEM bank had been consulted regarding Mod\_23\_11, which states that banking practice has changed; with Lloyds advising that the clause set out in the legal drafting of Mod\_23\_11 must now be included within any Standby Letters of Credit issued by them in order to comply with more stringent financial regulations. SEMO Member asked whether the Proposer (Mod\_23\_11) had, further to the conference call with SEMO prior to the Modifications meeting, checked with their bank as to where the requirements had come from, as it was the opinion of the SEM Bank that they were not standard provisions. Proposer (Mod\_23\_11) advised that they had not yet received an answer but would take the issue as an action.

Proposer (Mod\_29\_11) advised that alternative wording may be an option however stated that it is not possible to have a caveat that is applicable to only one Participant. Supplier Member stated that it was not possible to vote on Mod\_23\_11 as the proposer was awaiting feedback from Lloyds and that it was preferable to wait until that feedback has been received before a vote on Mod\_29\_11 is cast. An action was placed on Airtricity to attain feedback regarding Mod\_23\_11 from Lloyds, and on Participants to review both proposals and submit comments in advance of Meeting 38.

## Meeting 38 - 10 October 2011

At the Meeting, both proposals were again discussed together. Supplier Alternate advised that no feedback had been attained from Lloyd’s in advance of the Meeting. Supplier Alternate questioned as to whether it would be constructive for the Treasury representatives from the Working Group on Mod\_16\_11 Credit Eligibility Requirements, to review both Mod\_23\_11 and 29\_11. SEMO advised that an action had been placed on Participants at the previous Meeting to review both proposals and submit comments in advance of Meeting 38. Power NI Supplier Alternate, Bord Gáis Energy Supplier Member and Viridian Power and Energy Generator Member confirmed that their Treasury representatives had reviewed the proposals and were satisfied with them.

The Chair stated that if SEMO’s proposal (Mod\_29\_11) was approved, and Airtricity’s proposal deferred (Mod\_23\_11), it would result in Mod\_23\_11 becoming null and void as the wording would be obsolete as it is based on the current drafting of the Code. SEMO Member advised that SEMO have no objection to additional wording, stating however that Dankse Bank had confirmed that the clause set out in the legal drafting of Mod\_23\_11 is as a result of a change in standard practice as stated in the justification and that Airtricity had undertaken to ask their bank why it was necessary. SEMO Member stated that Participants had advised they felt that the current LOC wording was archaic, thus it would be preferable to have the new wording in the Code as soon as practicable. Proposer of Mod\_23\_11 advised that Airtricity were content to vote on both proposals, or only SEMO’s proposal, Mod\_29\_11. RA Member advised that as there was an outstanding action on Mod\_23\_11 regarding the justification, thus it would not be appropriate to proceed with a vote on this proposal.

# 9 Proposed Legal Drafting

1. **Standard Letter of Credit**

~~Terms defined in the Standby Letter of Credit referred to above have the same meaning when used in this Beneficiary Statement.~~

A.1 This Appendix A contains a standard template for a Letter of Credit.

Form of Doc Credit: IRREVOCABLE STANDBY LETTER OF CREDIT

Documentary Credit Number:

Date of Issue:

Applicable Rules: UCP [LATEST VERSION NO]

Date and Place of Expiry:

Applicant (Market Participant):

Beneficiary: EirGrid plc and SONI Limited, trading as SEMO”, being the Market Operator under the SEM Trading and Settlement Code. [address]

Currency Code, Amount (Maximum total amount):

Available With (ADVISING BANK IE SEMO'S BANK BY PAYMENT)

Partial Shipments/Drawings: Allowed

Documents required:

Beneficiary Statement, as detailed below, must be on Market Operator letterhead

QUOTE:

"We, the Market Operator under the Trading and Settlement Code (the “Beneficiary”) hereby state that [insert applicant’s name] is in default of its obligation to pay pursuant to the Trading and Settlement Code (to which the applicant is a party) under paragraph [ insert details] and as a result we hereby demand …………..[insert amount being claimed] under Standby Letter of Credit number…….... issued by …………[insert name of Issuing Bank]. Payment in respect of this Beneficiary Statement shall be effected immediately to [insert relevant account details]. We confirm that the signatory(ies) to this Beneficiary Statement are empowered to sign and make this Beneficiary Statement on behalf of the Beneficiary.

Terms defined in the Standby Letter of Credit referred to above have the same meaning when used in this Beneficiary Statement."

SIGNED FOR AND ON BEHALF OF THE MARKET OPERATOR.

NAME...................... TITLE.............

UNQUOTE

Additional Conditions:

1. Trading and Settlement Code means the trading arrangements for the SEM

established in Northern Ireland pursuant to section 23 of the Northern Ireland (Miscellaneous Provisions) Act 2006 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 and in Ireland pursuant to section 9BA(1) of the Electricity Regulation Act 1999 and as designated pursuant to regulations made under section 9BA(2)(a) of the Electricity Regulation Act 1999 (Ireland).

1. This irrevocable Standby Letter of Credit is available by payment at sight against presentation to the Advising Bank of a Beneficiary Statement as detailed in Documents required.
2. The Beneficiary Statement must be made on original letterhead paper of the Beneficiary and signed on its behalf, and must be presented to the Advising Bank on or before the Expiry Date.
3. Upon receipt of a signed Beneficiary Statement in compliance with the above conditions the Advising Bank is required promptly to notify us by SWIFT of receipt of such Beneficiary Statement and inform us of the relevant details of such Beneficiary Statement. Provided such notification is received by us no later than 14:00 hrs on any weekday on which banks are open for business in Dublin and Belfast, we shall make payment under this Standby Letter of Credit for Same Day Value on that day or if received after 14.00hrs on the next such weekday in accordance with such notification and shall confirm payment by notifying the Advising Bank by SWIFT.
4. Where we, the Issuing Bank are also the Advising Bank, we may revise the above notification requirements as appropriate provided that this shall in no way affect the obligation on us to make payment under this Standby Letter of Credit.
5. We the Issuing Bank hereby waive any right to set off or counterclaim whatsoever against any amounts payable under this Standby Letter of Credit in respect of any claims we may have against the Beneficiary and such amounts shall be paid free and clear of all deductions or withholdings whatsoever.
6. Effective From:

This Letter of Credit shall be governed by and construed in accordance with the laws of Northern Ireland and the parties submit to the exclusive jurisdiction of the Courts of Ireland and the Courts of Northern Ireland for all disputes arising under, out of, or in relation to this Letter of Credit.

Charges:

All Issuing Bank charges are for the account of the Applicant.

All Advising Bank charges are for the account of the Beneficiary

Confirmation:

CONFIRMATION WITH OR WITHOUT? (THIS INSTRUCTION IS TO SEMO'S BANK TO ADD CONFIRMATION OR NOT)

Instruction to Pay:

PLEASE REFER TO ADDITONAL CONDITIONS.

ADVISING BANK TO CLAIM REIMBURSEMENT BY SWIFT AND RETAIN BENEFICIARY STATEMENT ON FILE.

# 10 LEGAL REVIEW

Complete

# 11 IMPLEMENTATION TIMESCALE

The proposed effective date is one Working Day after the day on which the Regulatory Authority decision is made. For the avoidance of doubt, similar to the decision on Mod\_27\_09, the new format is proposed to apply to Letters of Credit submitted on or after any proposed effective date and not to existing ones. It is proposed that this Modification is made on a Settlement Day basis.

# Appendix 1: original proposal

|  |  |  |  |  |  |
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| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer** | **Date of receipt** | | **Type of Proposal** | | **Modification Proposal ID** |
| SEMO | 26/07/2011 | | Standard | | Mod\_29\_11 |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Mary Doyle** | | 01 23 70297 | | [mary.doyle@sem-o.com](mailto:mary.doyle@sem-o.com) | |
| **Modification Proposal Title** | | | | | |
| **Revision of Standard Letter of Credit Template** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
| **T&SC** | | **Appendix A** | | **V9.0** | |
| **Explanation of Proposed Change**  *(mandatory by originator)* | | | | | |
| In recent years a number of financial institutions have highlighted that the current Letter of Credit Template, while valid, does not use internationally recognised finance standards. This Modification Proposal replaces the current template with one that aligns with internationally recognised finance standards set out in Uniform Customs & Practice for Documentary Credits (UCP600).  In line with the recommendation for Mod\_27\_09, it is proposed that any changes to the Letter of Credit template would only affect new Letters of Credit and would not affect existing ones. | | | | | |
| **Legal Drafting Change**  *(Clearly show proposed code change using* ***tracked*** *changes, if proposer fails to identify changes, please indicate best estimate of potential changes)* | | | | | |
| 1. Standard Letter of Credit   ~~A.1~~   ~~2.~~  A.1 This Appendix A contains a standard template for a Letter of Credit.  Form of Doc Credit: IRREVOCABLE STANDBY LETTER OF CREDIT  Documentary Credit Number:  Date of Issue:  Applicable Rules: UCP [LATEST VERSION NO]  Date and Place of Expiry:  Applicant (Market Participant's Bank):  Beneficiary: EirGrid plc and SONI Limited, trading as SEMO”, being the Market Operator under the SEM Trading and Settlement Code. [address]  Currency Code, Amount (Maximum total amount):  Available With (ADVISING BANK IE SEMO'S BANK BY PAYMENT)  Partial Shipments/Drawings: Allowed  Documents required:  Beneficiary Statement, as detailed below, must be on Market Operator letterhead  QUOTE:  "We, the Market Operator under the Trading and Settlement Code (the “Beneficiary”) hereby state that [insert applicant’s name] is in default of its obligation to pay pursuant to the Trading and Settlement Code (to which the applicant is a party) under paragraph [ insert details] and as a result we hereby demand …………..[insert amount being claimed] under Standby Letter of Credit number…….... issued by …………[insert name of Issuing Bank]. Payment in respect of this Beneficiary Statement shall be effected immediately to [insert relevant account details]. We confirm that the signatory(ies) to this Beneficiary Statement are empowered to sign and make this Beneficiary Statement on behalf of the Beneficiary.  Terms defined in the Standby Letter of Credit referred to above have the same meaning when used in this Beneficiary Statement."  SIGNED FOR AND ON BEHALF OF THE MARKET OPERATOR.  NAME...................... TITLE.............  UNQUOTE  Additional Conditions:   1. Trading and Settlement Code means the trading arrangements for the SEM   established in Northern Ireland pursuant to section 23 of the Northern Ireland (Miscellaneous Provisions) Act 2006 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 and in Ireland pursuant to section 9BA(1) of the Electricity Regulation Act 1999 and as designated pursuant to regulations made under section 9BA(2)(a) of the Electricity Regulation Act 1999 (Ireland).   1. This irrevocable Standby Letter of Credit is available by payment at sight against presentation to the Advising Bank of a Beneficiary Statement as detailed in Documents required. 2. The Beneficiary Statement must be made on original letterhead paper of the Beneficiary and signed on its behalf, and must be presented to the Advising Bank on or before the Expiry Date. 3. Upon receipt of a signed Beneficiary Statement in compliance with the above conditions the Advising Bank is required promptly to notify us by SWIFT of receipt of such Beneficiary Statement and inform us of the relevant details of such Beneficiary Statement. Provided such notification is received by us no later than 14:00 hrs on any weekday on which banks are open for business in Dublin and Belfast, we shall make payment under this Standby Letter of Credit for Same Day Value on that day or if received after 14.00hrs on the next such weekday in accordance with such notification and shall confirm payment by notifying the Advising Bank by SWIFT. 4. Where we, the Issuing Bank are also the Advising Bank, we may revise the above notification requirements as appropriate provided that this shall in no way affect the obligation on us to make payment under this Standby Letter of Credit. 5. We the Issuing Bank hereby waive any right to set off or counterclaim whatsoever against any amounts payable under this Standby Letter of Credit in respect of any claims we may have against the Beneficiary and such amounts shall be paid free and clear of all deductions or withholdings whatsoever. 6. Effective From:   Charges:  All Issuing Bank charges are for the account of the Applicant.  All Advising Bank charges are for the account of the Beneficiary  Confirmation:  CONFIRMATION WITH OR WITHOUT? (THIS INSTRUCTION IS TO SEMO'S BANK TO ADD CONFIRMATION OR NOT)  Instruction to Pay:  PLEASE REFER TO ADDITONAL CONDITIONS.  ADVISING BANK TO CLAIM REIMBURSEMENT BY SWIFT AND RETAIN BENEFICIARY STATEMENT ON FILE. | | | | | |
| **Modification Proposal Justification**  *(Clearly state the reason for the Modification)* | | | | | |
| This Modification Proposal replaces the current template with one that aligns with internationally recognised finance standards set out in Uniform Customs & Practice for Documentary Credits (UCP600). This is the international standard used for documentary credits or Letters of Credit.  Appendix 1 below provides supporting guidelines for Participants and their banks, which would indicate all fields required to be filled out on their behalf. | | | | | |
| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| The Modification furthers Code Objective 1.3.2  "to facilitate the efficient operation and administration of the Single Electricity Market." | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this Modification Proposal is not approved, the current template will remain in a non-standard format that may not be accepted by banks or may increase the processing required to provide a Letter of Credit. | | | | | |
| **Working Group**  *(State if Working Group considered necessary to develop proposal)* | | | **Impacts**  *(Indicate the impacts on systems, resources, processes and/or procedures)* | | |
| No | | | None | | |
| ***Please return this form to Secretariat by email to*** [*modifications@sem-o.com*](mailto:modifications@sem-o.com) | | | | | |

# Appendix 2: alternative proposal

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| --- | --- | --- | --- | --- | --- |
| **MODIFICATION PROPOSAL FORM** | | | | | |
| **Proposer**  *(Company)* | **Date of receipt**  *(assigned by Secretariat)* | | **Type of Proposal**  *(delete as appropriate)* | | **Modification Proposal ID**  *(assigned by Secretariat)* |
| **SEMO** | **27 September 2011** | | **Standard** | | **Mod\_29\_11\_V2** |
| **Contact Details for Modification Proposal Originator** | | | | | |
| **Name** | | **Telephone number** | | **Email address** | |
| **Mary Doyle** | | 01 23 70297 | | [mary.doyle@sem-o.com](mailto:mary.doyle@sem-o.com) | |
| **Modification Proposal Title** | | | | | |
| **Revision of Standard Letter of Credit Template** | | | | | |
| **Documents affected**  *(delete as appropriate)* | | **Section(s) Affected** | | **Version number of T&SC or AP used in Drafting** | |
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| **appendix a: Standard Letter of Credit**  ~~A.1~~    ~~4~~  A.1 This Appendix A contains a standard template for a Letter of Credit.  Form of Doc Credit: IRREVOCABLE STANDBY LETTER OF CREDIT  Documentary Credit Number:  Date of Issue:  Applicable Rules: UCP [LATEST VERSION NO]  Date and Place of Expiry:  Applicant (Market Participant):  Beneficiary: EirGrid plc and SONI Limited, trading as SEMO”, being the Market Operator under the SEM Trading and Settlement Code. [address]  Currency Code, Amount (Maximum total amount):  Available With (ADVISING BANK IE SEMO'S BANK BY PAYMENT)  Partial Shipments/Drawings: Allowed  Documents required:  Beneficiary Statement, as detailed below, must be on Market Operator letterhead  QUOTE:  "We, the Market Operator under the Trading and Settlement Code (the “Beneficiary”) hereby state that [insert applicant’s name] is in default of its obligation to pay pursuant to the Trading and Settlement Code (to which the applicant is a party) under paragraph [ insert details] and as a result we hereby demand …………..[insert amount being claimed] under Standby Letter of Credit number…….... issued by …………[insert name of Issuing Bank]. Payment in respect of this Beneficiary Statement shall be effected immediately to [insert relevant account details]. We confirm that the signatory(ies) to this Beneficiary Statement are empowered to sign and make this Beneficiary Statement on behalf of the Beneficiary.  Terms defined in the Standby Letter of Credit referred to above have the same meaning when used in this Beneficiary Statement."  SIGNED FOR AND ON BEHALF OF THE MARKET OPERATOR.  NAME...................... TITLE.............  UNQUOTE  Additional Conditions:   1. Trading and Settlement Code means the trading arrangements for the SEM   established in Northern Ireland pursuant to section 23 of the Northern Ireland (Miscellaneous Provisions) Act 2006 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 and in Ireland pursuant to section 9BA(1) of the Electricity Regulation Act 1999 and as designated pursuant to regulations made under section 9BA(2)(a) of the Electricity Regulation Act 1999 (Ireland).   1. This irrevocable Standby Letter of Credit is available by payment at sight against presentation to the Advising Bank of a Beneficiary Statement as detailed in Documents required. 2. The Beneficiary Statement must be made on original letterhead paper of the Beneficiary and signed on its behalf, and must be presented to the Advising Bank on or before the Expiry Date. 3. Upon receipt of a signed Beneficiary Statement in compliance with the above conditions the Advising Bank is required promptly to notify us by SWIFT of receipt of such Beneficiary Statement and inform us of the relevant details of such Beneficiary Statement. Provided such notification is received by us no later than 14:00 hrs on any weekday on which banks are open for business in Dublin and Belfast, we shall make payment under this Standby Letter of Credit for Same Day Value on that day or if received after 14.00hrs on the next such weekday in accordance with such notification and shall confirm payment by notifying the Advising Bank by SWIFT. 4. Where we, the Issuing Bank are also the Advising Bank, we may revise the above notification requirements as appropriate provided that this shall in no way affect the obligation on us to make payment under this Standby Letter of Credit. 5. We the Issuing Bank hereby waive any right to set off or counterclaim whatsoever against any amounts payable under this Standby Letter of Credit in respect of any claims we may have against the Beneficiary and such amounts shall be paid free and clear of all deductions or withholdings whatsoever. 6. Effective From:   This Letter of Credit shall be governed by and construed in accordance with the laws of Northern Ireland and the parties submit to the exclusive jurisdiction of the Courts of Ireland and the Courts of Northern Ireland for all disputes arising under, out of, or in relation to this Letter of Credit.  Charges:  All Issuing Bank charges are for the account of the Applicant.  All Advising Bank charges are for the account of the Beneficiary  Confirmation:  CONFIRMATION WITH OR WITHOUT? (THIS INSTRUCTION IS TO SEMO'S BANK TO ADD CONFIRMATION OR NOT)  Instruction to Pay:  PLEASE REFER TO ADDITONAL CONDITIONS.  ADVISING BANK TO CLAIM REIMBURSEMENT BY SWIFT AND RETAIN BENEFICIARY STATEMENT ON FILE. | | | | | |
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| **Code Objectives Furthered**  *(State the Code Objectives the Proposal furthers, see Section 1.3 of T&SC for Code Objectives)* | | | | | |
| The Modification furthers Code Objective 1.3.2  "to facilitate the efficient operation and administration of the Single Electricity Market." | | | | | |
| **Implication of not implementing the Modification Proposal**  *(State the possible outcomes should the Modification Proposal not be implemented)* | | | | | |
| If this Modification Proposal is not approved, the current template will remain in a non-standard format that may not be accepted by banks or may increase the processing required to provide a Letter of Credit. | | | | | |
| **Working Group**  *(State if Working Group considered necessary to develop proposal)* | | | **Impacts**  *(Indicate the impacts on systems, resources, processes and/or procedures)* | | |
| No | | | None | | |
| ***Please return this form to Secretariat by email to*** [*modifications@sem-o.com*](mailto:modifications@sem-o.com) | | | | | |

# Appendix 3: Supporting Guidelines

|  |  |
| --- | --- |
| **V.5** | **05/05/2011** |
|  |  |
| **Guidelines to Letters of Credit** | |
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| An irrevocable standby Letter of Credit (here to be referred to as 'Letter of Credit' - LC) is a form of credit that Market Participants can use to meet their credit cover requirement under the Trading & Settlement Code. The advantages being that Market Participants don't need to post cash and that LCs provide flexibility should the credit cover requirement change. | |
| Based on SEMO experiences to date, the initial approval of LCs and subsequent changes to LCs have tended to take longer than it should, mainly due to incorrect wording or incorrect technical LCs details being used. | |
| These guidelines have been issued to assist Market Participants and their banks to meet the requirements set in the Trading & Settlement Code. The aim is to reduce the number of revisions needed before LCs can be approved by SEMO. | |
| An irrevocable standby Letter of Credit is a financial contract under which the Issuing Bank agrees to pay a determined amount of money to the Beneficiary under certain circumstances in defined timeframes. | |
| The parties involved are: | |
|  | - The Applicant => the Market Participant |
|  | - The Issuing Bank => the Market Participant's Bank |
|  | - The Advising Bank => SEMO's Bank |
|  | - The Beneficiary => SEMO, the Market Operator |
| Once in place, LCs can only be modified with the agreement of both the Applicant and the Beneficiary. | |
| The exact wording of a valid LC is given in Appendix A-1 of the Trading & Settlement Code. Any LC should meet exactly the wording of this template otherwise it is unlikely to be approved and will require further revisions before acceptance. | |
| According to Agreed Procedure 9, LCs should be submitted by electronic SWIFT format, not hard copy. Specific guidelines on SWIFT submission are given below. Please ensure the Issuing Bank is made aware of SEMO requirements in this regard. | |
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| **Issuing Bank Eligibility Criteria** | Only Letters of Credit issued by Issuing Banks that comply with the Eligibility Criteria set in paragraphs 6.163 and 6.164 of the Trading & Settlement Code will be considered.  SEMO regularly publish a list of Approved Credit Cover Providers on SEMO website (www.sem-o.com) under: Market Publications / Credit Publications. If the Issuing Bank doesn't appear on that list , it is the Applicant's responsibility to provide the proof that the Issuing Bank meets the Eligibility Criteria |
| **Issuing Department** | From SEMO's experience, Issuing Banks' Trade Finance Departments tend to have a better understanding of LCs than Issuing Banks' Corporate Departments. Involvement by the Issuing Bank's Trade Finance Department would be advised. |
| **Format** | Electronic SWIFT: |
|  | - MT700 for new LCs (and NOT MT760 - guarantee - or MT799 - free format message -) |
|  | - MT707 for amendments (and NOT MT767 - guarantee amendment -) |
| **Amendments** | When amending an already existing LC, only fields/details that actually change should be updated and appear in the amendment. Restating information that doesn't change can lead to errors and delays if the text is incorrect. |
|  | e.g. if the LC amount is amended, don't state the Beneficiary Name or Address as they had already been approved previously. |
| **NIB SWIFT Code** | DABAIE2D |
| **Northern Bank SWIFT Code** | DABAGB2B |

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| **Beneficiary Address** | |
|  | The Oval  160, Shelbourne Road  Ballsbridge, Dublin 4  Republic of Ireland |
| or | Castlereagh House  12 Manse Road  Belfast BT6 9RT  Northern Ireland |
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| **27** | **SEQUENCE OF TOTAL** |
|  | 1 / 1 |
|  |  |
| **40A** | **Form of Doc Credit** |
|  | IRREVOCABLE STANDBY LETTER OF CREDIT |
|  |  |
| **20** | **Documentary Credit Number** |
|  |  |
| **31C** | **Date of Issue** |
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| **40E** | **Applicable Rules** |
|  | UCP LATEST VERSION |
|  |  |
| **31D** | **Date and Place of Expiry** |
|  |  |
| **50** | **Applicant (Market Participant)** |
|  |  |
| **59** | **Beneficiary** |
|  | “EirGrid plc and SONI Limited, trading as SEMO”, |
|  | being the Market Operator under the SEM Trading and Settlement Code. [address] |
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| **31B** | **Currency Code, Amount (Maximum total amount)** |
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| **41D** | **Available With (ADVISING BANK IE SEMO'S BANK BY PAYMENT)** |
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| **43P** | **Partial Shipments/Drawings** |
|  | Allowed |
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| **46A** | **Documents required** |
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|  | Beneficiary Statement, as detailed below, must be on Market Operator letterhead |
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|  | **QUOTE:** |
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|  | We, the Market Operator under the Trading and Settlement Code (the “Beneficiary”) hereby state that [insert applicant’s name] is in default of its obligation to pay pursuant to the Trading and Settlement Code (to which the applicant is a party) under paragraph [insert details] and as a result we hereby demand ………….. [insert amount being claimed] under Standby Letter of Credit number…….... issued by ………… [insert name of Issuing Bank]. Payment in respect of this Beneficiary Statement shall be effected immediately to [insert relevant account details]. We confirm that the signatory(ies) to this Beneficiary Statement are empowered to sign and make this Beneficiary Statement on behalf of the Beneficiary.  Terms defined in the Standby Letter of Credit referred to above have the same meaning when used in this Beneficiary Statement. |
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|  | SIGNED FOR AND ON BEHALF OF THE MARKET OPERATOR. |
|  | NAME...................... TITLE............. |
|  | . |
|  | **UNQUOTE** |
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| **47A** | **Additional Conditions:** |
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| **1** | Trading and Settlement Code means the trading arrangements for the SEM established in Northern Ireland pursuant to section 23 of the Northern Ireland (Miscellaneous Provisions) Act 2006 and the Electricity (Single Wholesale Market) (Northern Ireland) Order 2007 and in Ireland pursuant to section 9BA(1) of the Electricity Regulation Act 1999 and as designated pursuant to regulations made under section 9BA(2)(a) of the Electricity Regulation Act 1999 (Ireland). |
| **2** | This irrevocable Standby Letter of Credit is available by payment at sight against presentation to the Advising Bank of a Beneficiary Statement as detailed in Documents required. |
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| **3** | The Beneficiary Statement must be made on original letterhead paper of the Beneficiary and signed on its behalf, and must be presented to the Advising Bank on or before the Expiry Date. |
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| **4** | Upon receipt of a signed Beneficiary Statement by the Advising Banking, in compliance with the above conditions, the Advising Bank is required promptly to notify us by SWIFT of receipt of such Beneficiary Statement and inform us of the relevant details of such Beneficiary Statement. Provided such notification is received by us no later than 14:00 hrs on any weekday on which banks are open for business in Dublin and Belfast, we shall make payment under this Standby Letter of Credit for Same Day Value on that day or if received after 14.00hrs on the next such weekday in accordance with such notification and shall confirm payment by notifying the Advising Bank by SWIFT. |
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| **5** | Where we, the Issuing Bank are also the Advising Bank, we may revise the above notification requirements as appropriate provided that this shall in no way affect the obligation on us to make payment under this Standby Letter of Credit. |
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| **6** | We the Issuing Bank hereby waive any right to set off or counterclaim whatsoever against any amounts payable under this Standby Letter of Credit in respect of any claims we may have against the Beneficiary and such amounts shall be paid free and clear of all deductions or withholdings whatsoever. |
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| **7** | Effective From |
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|  | **Charges** |
| **71B** | All Issuing Bank charges are for the account of the Applicant. |
|  | All Advising Bank charges are for the account of the Beneficiary |
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|  | **Confirmation** |
| **49** | CONFIRMATION WITH OR WITHOUT? (THIS INSTRUCTION IS TO SEMO'S BANK TO ADD CONFIRMATION OR NOT) |
|  |  |
|  | **Instruction to Pay** |
| **78** | PLEASE REFER TO ADDITONAL CONDITIONS. |
|  | ADVISING BANK TO CLAIM REIMBURSEMENT BY SWIFT AND RETAIN BENEFICIARY STATEMENT ON FILE. |