

The Single Electricity Market (SEM)

Agreed Procedure 9: Management of Credit Cover and Credit Default

Version 89.0

19 November 2010TBC

SEM Agreed Procedure

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Table of Contents

1. Introduction.....	4
1.1 Background and Purpose	4
1.2 Scope of Agreed Procedure.....	4
1.3 Definitions.....	4
1.4 Compliance with Agreed Procedure.....	4
2. Descriptive Overview	5
2.1 Credit Risk	5
2.2 Elements of SEM Credit Risk.....	5
2.3 Calculation of Required Credit Cover.....	65
2.4 Provision of Credit Cover	76
2.5 Monitoring of Credit Cover	86
2.6 Failure to Provide Required Credit Cover.....	87
2.7 Settlement Reallocation Agreements	97
2.8 New/Adjusted Participants	97
2.9 Payment Default	108
2.10 Credit Cover Providers.....	108
3. Procedure Definition	129
3.1 Management of Credit Cover Requirements.....	129
3.2 Monitoring Credit Cover Provider.....	194
3.3 Changing Credit Cover	292
3.4 New / Adjusted participants Credit Cover.....	372
APPENDIX 1: Definitions and Abbreviations	483
Definitions.....	483
Abbreviations	513
APPENDIX 2: Calculation Of VAT For Required Credit Cover	523

DOCUMENT HISTORY

Version	Date	Author	Comment
2.0	3/11/2006	SEM Implementation Team	Released to Regulatory Authorities
3.0	21/05/2007	Regulatory Authorities	Consultation Version
3.2	25/06/2007	Regulatory Authorities	Approved for Go-Active by Regulatory Authorities and TSO/SEM Programme
3.2	21/07/2008	SEMO	Mod_26_08 Change
5.0		SEMO	Mod_58_08 Using Excess Cash Collateral to Make Payments
5.0	07/04/2009	SEMO	SEMO Design Baseline Documentation at V5.0
6.0	30/10/2009	SEMO	SEMO Design Baseline Documentation at V6.0
7.0	28/05/2010	SEMO	SEMO Design Baseline Documentation at V7.0
7.0	21/05/2010	SEMO	Mod_14_10 Excess Cash Collateral Drawdown Requirements
8.0			
9.0			

RELATED DOCUMENTS

Document Title	Version	Date	By
Trading and Settlement code (Code)	V7.0	28/05/2010	SEMO
Agreed Procedure 1 "Participant and Unit Registration and Deregistration"			
Agreed Procedure 10 "Settlement Reallocation".			
Agreed Procedure 15 "Invoicing"			
Agreed Procedure 17 " Banking and Participant Payments"			

1. INTRODUCTION

1.1 BACKGROUND AND PURPOSE

This Agreed Procedure describes the specific procedures for the management of Credit Risk to be administered by the Market Operator (MO), and with which Parties to the Trading and Settlement Code (the Code) must comply.

1.2 SCOPE OF AGREED PROCEDURE

This Agreed Procedure is a definition of procedural steps to be followed by the MO and Participants. It forms an annexe to, and is governed by, the Code. This document is a statement of process and procedure. Parties' rights and obligations are set out in the Code.

1.3 DEFINITIONS

Save as expressly defined, words and expressions defined in the Code shall have the same meanings when used in this Agreed Procedure.

References to particular sections relate internally to this Agreed Procedure unless specifically noted.

1.4 COMPLIANCE WITH AGREED PROCEDURE

Compliance with this Agreed Procedure is required under the terms of the Code.

2. DESCRIPTIVE OVERVIEW

This section 2 provides an overview of the procedure provided for in the main Sections of the Code, for explanatory purposes and to set the context for this Agreed Procedure only. The overview contained in this section is not legally binding and is not intended to create rights or impose obligations on any Party.

2.1 CREDIT RISK

Credit Risk is the risk of a payment default by a Participant on their financial obligations in the SEM. Effective management of this risk is essential to ensuring the financial integrity of the SEM.

2.2 ELEMENTS OF SEM CREDIT RISK

Credit Risk in the SEM consists of six major elements:

Table 1 : SEM Credit Risk Elements

SEM Credit Risk Element	Description
Actual Exposures: amounts invoiced but not paid	Amounts currently owed, i.e. the SEM's receivables.
Actual Exposures: amounts calculated but not invoiced	Settlement amounts which have been calculated, but not yet included on an invoice. These may include Ex-Post Indicative Settlement Statement and Initial Settlement Statement amounts (depending upon the latest information available).
Interconnector Unit Offered Exposure	Offered Exposure for Interconnector Units: reflecting the total credit risk exposure for a Participant in respect of its Interconnector Units, as calculated following each Gate Window Closure.
Interconnector Unit Traded Exposure	Traded Exposure for Interconnector Units: reflecting the total credit risk exposure for a Participant in respect of its Interconnector Units, as calculated following each MSP Software Run.
Undefined Potential Exposure	If a Participant defaults on their financial obligations in the SEM, the Market Operator will draw down on their Credit Cover and may issue the Participant with a Suspension Order. The Participant will be granted a defined amount of time to comply with a Suspension Order before a Suspension takes effect. Additional exposures may be incurred in the SEM during this period. These exposures include those related to a period that has passed (and electricity has been consumed) but for which the Ex-Post Indicative Settlement Statement amount has not yet been determined (generally due to time lag in receiving metering data and/or determining the relevant prices). The Code requires a Supplier Suspension Delay Period to elapse before a Participant in respect of their Supplier Units can be removed from the SEM. This allows Participants to continue to purchase electricity in the market until and if their retail customers are moved across to a Supplier of Last Resort. Additional exposures may be incurred in the SEM during the Supplier Suspension Delay Period. Note: there is no Undefined Potential Exposure for Interconnector Units.
Resettlement Exposures	Additional exposures that may result from Resettlement of an already settled Billing Period or Capacity Period.

[Actual Exposures](#)

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- ~~Amounts invoiced but not paid: Amounts presently owed, i.e., basically, the SEM's receivables.~~
- ~~Amounts calculated but not invoiced: Settlement amounts which have been calculated, but not yet included on an invoice. These may include Ex-Post Indicative Settlement Statement and Initial Settlement Statement amounts (depending upon the latest information available).~~

~~Traded exposure for s: reflecting the total credit risk exposure for a Participant in respect of its Interconnector Units, as calculated following each MSP Software Run.~~
Undefined Potential Exposures

~~Exposure incurred but not calculated: Exposures related to a period that has passed (and electricity has been consumed), but the Ex-Post Indicative Settlement Statement amount has not yet been determined (generally due to time lag in receiving metering data and/or determining prices).~~

~~Potential exposures during 'Time-to-Remedy': If a Participant defaults on their financial obligations in the SEM, then the MO will draw down on their Credit Cover and may issue the Participant with a Suspension Order. The Participant will be granted a defined amount of time to comply with a Suspension Order before a Suspension takes effect. Additional exposures may be incurred in the SEM in during this period.~~

- ~~Potential exposures during 'time to remove': The Code requires a Supplier Suspension Delay Period to elapse before a Participant in respect of their Supplier Units can be removed from the SEM. This allows Participants to continue to purchase electricity in the market until and if their retail customers are moved across to a Supplier of Last Resort. Additional exposures may be incurred in the SEM during this transition period.~~
- ~~Resettlement exposures: Additional exposures that may result from Resettlement of an already settled Billing Period or Capacity Period.~~

It is important to remember that a Participant's Credit Risk is the aggregate Credit Risk for all potential payments in the SEM. It includes:

- ~~Trading Charges;~~
- ~~Trading Payments;~~
- ~~Capacity Charges;~~
- ~~Capacity Payments; and~~
- ~~Market Operator Charges;~~
- ~~VAT; and~~
- ~~Settlement Reallocation Agreements.~~

~~This is because the risk posed by the Participant is an aggregate risk – a company goes bankrupt everywhere at the same time.~~

2.3 CALCULATION OF REQUIRED CREDIT COVER

~~Item 1 and 2 of the Credit Risk elements above are referred to as Actual Exposures, as they are known amounts (although Ex-Post Indicative Settlement Statement amounts are still subject to further revision). The latter four items are Undefined Potential Exposures – are not known with certainty at the time of assessment, but can be estimated to a given degree of statistical confidence, i.e. there is x% statistical confidence that Actual Exposures, once determined, will fall below the estimated potential exposure amount. This confidence factor, known as the Analysis Percentile Parameter (AnPP), is proposed by the Market Operator and approved by the Regulatory Authorities.~~

The total Participant's Credit Risk at any given point in time is calculated as the sum of:

- **Actual Exposure:** is the sum of outstanding invoices and 'amounts calculated but not invoiced'. ~~This encompasses elements 1-2 in section 2.2.~~
- **Actual-Interconnector Unit Offered Exposure:** is the credit exposure for Interconnector Units as implied by a set of Commercial Offer Data, derived from data submitted within a Gate Window. Offered Exposure is superseded by Traded Exposure once the associated MSP Software Run has been completed. ~~sum of outstanding invoices and 'amounts calculated but not invoiced'. This encompasses elements 1-2 in section 2.2.~~
- **Interconnector Unit Traded Exposure:** is the credit exposure for Interconnector Units as calculated from trades derived from the results of MSP Software Runs.
- **Undefined Potential Exposure:** is the potential exposure for the time period from the last settled Trading Period through to when a Participant could be removed from incurring further liability (this time period is the Undefined Exposure Period). ~~This encompasses elements 3-5 is described~~ in section 2.2. As the time periods are contiguous, this exposure is more appropriately calculated as a single risk amount, rather than three separate amounts. Determination of this amount will be based on a statistical analysis of historical exposures, where available and where not available is based on forecast quantities and estimated prices. Interconnector Units do not have an Undefined Potential Exposure, as their exposure is calculated based on Offered Exposure and Traded Exposure.
- **Re-Settlement Exposure:** is the potential exposure from Resettlement. For SEM this is not calculated explicitly. This exposure is managed by the Fixed Credit Cover Requirement.

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Settlement Reallocation Agreements are also considered in the calculation of a Participant's Required Credit Cover. See section 2.7 for information regarding Settlement Reallocation Agreements.

2.4 PROVISION OF CREDIT COVER

Credit Cover is collateral required to be posted as a guarantee against a Participant's Credit Risk in the SEM. In the event of a payment default, this Credit Cover can be utilised by the Market Operator to satisfy the a Participant's outstanding financial obligations in the SEM. ~~Because of Given~~ the potential for Resettlement, a Participant withdrawing ~~or being suspended~~ from the ~~market SEM~~ will not ~~receive be reimbursed full return of~~ its Posted Credit Cover until the Resettlement period has passed (currently 14 months).

Credit Cover for use in the SEM must be posted in the form of either:

- Cash (in the designated Currency of the Participant) in a SEM Collateral Reserve Account; or
- Letter of Credit (LC) from a Bank that meets the Banking Eligibility Requirements and in the form as set out in the Code.

A Participant may meet its Credit Cover requirements by posting a combination of these eligible types of Credit Cover. In the event of a Shortfall, (i.e. the failure of a Participant to pay an Invoice in full, by the due date and time), Posted Credit Cover will need to be accessible in a timely manner such that the Market Operator ~~can may~~ meet all relevant payment obligations of in respect of the SEM.

Each Participant must maintain its Credit Cover with a Credit Cover Provider who meets the Bank Eligibility Requirements.

The Market Operator shall perform periodic reviews of Credit Cover Providers on its published list to check if confirm that they continue to meet the BankingBank Eligibility Requirements. The Market Operator shall update the published list as necessary.

2.5 MONITORING OF CREDIT COVER

The Market Operator shall calculate the Required Credit Cover each Working Day and shall include Warning Notices and Credit Cover Increase Notices as part of the associated Required Credit Cover report.

In the monitoring of Credit Cover, the following value is shall be used to determine whether the Market Operator shall issue a Warning Notice to a Participant:

- Warning Limit – This is the a defined value ratio against which -the a calculated ratio of a Participant's Required Credit Cover to its Posted Credit Cover at a given point in time is compared. If the calculated ratio exceeds the that Warning Limit, if exceeded, results in a Warning Notice being shall be sent to the Participant by the Market Operator (which will comprise part of the Required Credit Cover Report issued to the Participant each Working Day).

In order to identify whether Credit Cover Increase Notices and Warning Notices are required, Posted Credit Cover is compared against Participant Required Credit Cover by the Market Operator:

- If the ratio of Participant Required Credit Cover to Posted Credit Cover exceeds the Warning Limit, then the Market Operator shall issue a Warning Notice to the Participant. This Warning Notice shall be part of the Required Credit Cover Report and is for information only. A Participant may set an individual Warning Limit below the default value as set in the Code.
- Otherwise, if a Participant's Required Credit Cover exceeds the Posted Credit Cover, then the Market Operator shall issue a Credit Cover Increase Notice to the Participant. The Participant will then be required to increase their Credit Cover to the extent that they no longer breach this limit.
- If the ratio of Participant Required Credit Cover to Posted Credit Cover exceeds the Warning Limit, then the Market Operator shall issue a Warning Notice to the Participant. This Warning Notice is for informational only and the Participant is not obliged to act on this. The Participant can set an individual Warning Limit below the default value as set in the Code.
- If the a Participant's Required Credit Cover exceeds the Posted Credit Cover, then the Market Operator shall issue a Credit Cover Increase Notice to the Participant. The Participant will then be required to increase their Credit Cover to the extent that so that they no longer breach this limit.

The Market Operator shall calculate the Required Credit Cover each Working Day and shall subsequently issue the necessary Warning Notices and Credit Cover Increase Notices thereafter.

2.6 FAILURE TO PROVIDE REQUIRED CREDIT COVER

If a Participant fails to comply with a Credit Cover Increase Notice within two Working Days of its issue by the Market Operator, then the Market Operator will issue a Default Notice. The Market Operator will shall then initiate proceedings to suspend the Participant from the SEM, by issuing a Suspension Notice Order in accordance with Agreed Procedure 1 "Participant and Unit Registration and Deregistration".

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2.7 SETTLEMENT REALLOCATION AGREEMENTS

The Code ~~allows-permits~~ Participants to lodge Settlement Reallocation Agreements, ~~for which enable~~ the ~~transference~~ of Settlement obligations in the ~~market-SEM~~ from one Participant to ~~the other-another Participant~~. This also serves to reduce the Credit Risk, and ~~associated hence~~ Credit Cover requirements, of one Participant, ~~and-with a consequential increase in~~ the Credit Risk of the other ~~Participant~~. ~~The SEM Participant~~ Required Credit Cover calculations consider the impact of Settlement Reallocation Agreements ~~on the two affected Participants~~.

The detailed rules for Settlement Reallocation Agreements are set out in Agreed Procedure 10 "Settlement Reallocation".

2.8 NEW/ADJUSTED PARTICIPANTS

New Participants

New Participants do not have any historical Settlement data which can be used as the basis for a statistical analysis of historical exposures, in order to calculate Undefined Potential Exposure. In this instance, ~~each the-New~~ Participant ~~will-be-required-to-shall~~ provide forecast quantity data (i.e. Generation and/or Load) ~~to the Market Operator~~ as part of the registration process, ~~other than in respect of Interconnector Units (which do not have an Undefined Potential Exposure)~~. This ~~forecast data~~ will be used, in conjunction with a Credit Assessment Price to determine the Undefined Potential Exposure ~~amount, and hence-as part of~~ the Required Credit Cover.

The Credit Assessment Price used in the process will be made up of the Estimated Energy Price, the Variable Market Operator Price, the Imperfections Price and an Estimated Capacity Price. The forecast quantities provided by new Participants will be evaluated against the Meter Data received from the relevant Meter Data Provider. If there is a significant difference between the Meter Data and the forecast quantities provided (~~i.e. the difference exceeding the Credit Cover Adjustment Trigger~~), the ~~Market Operator will-shall~~ calculate the Undefined Potential Exposure based on the Analysis Percentile Parameter of the known Meter Data against the Credit Assessment Price extrapolated across the future risk period. This assessment methodology will be used until there is sufficient historical data for the statistical analysis.

Interconnector Units do not have an associated Undefined Potential Exposure.

Adjusted Participant

An Adjusted Participant is a Participant whose load and/or generation configuration has changed (i.e. increased or decreased) significantly from historical patterns (defined as the time-weighted average of metered quantities across all of the four most recent Billing Periods). This could be due to acquisition of new assets, winning significant new customers in the retail market, a significant Generator planned outage, etc. In such cases, statistical analysis of historical exposures may not be a valid indicator of future performance, and the same processes will be used as for new Participants. Participants who are expecting the time-weighted average with respect to its Supplier and/or Generator Units ~~(other than Interconnector Units)~~ of metered quantities across all of the four most recent Billing Periods compared with forecasted averaged metered quantities with respect to its Supplier and/or Generator Units in any of the next four Billing Periods ~~to increase or decrease by more in absolute terms, than the Credit Cover Adjustment Trigger~~ are required to notify the ~~Market Operator~~. In these cases, in accordance with the Code, the ~~Market Operator~~ will use forecast quantities to calculate the Participant's Undefined Potential Exposure.

2.9 PAYMENT DEFAULT

The procedure for when a Participant fails to pay any amount due is set out in Agreed Procedure 15 "Invoicing". Where this draws down on a Participant's Posted Credit Cover, then the procedures in this Agreed Procedure shall be followed ~~based on the Participant's Posted Credit Cover after the draw down.~~

2.10 CREDIT COVER PROVIDERS

It is the responsibility of each Participant to ensure that its Credit Cover Provider meets the ~~BankingBank~~ Eligibility Requirements as set out in the Code and continues to meet them ~~throughout the entire period for which it is the Participant's whilst being its~~ Credit Cover Provider.

In order to assist Participants in obtaining appropriate Credit Cover, the Market Operator shall record and list on the Market Operator Website, those Banks which have been proven by Participants to meet the Bank Eligibility Requirements and therefore meet the requirements of being a Credit Cover Provider. The Market Operator shall update and publish the list of Banks who meet the Bank Eligibility Requirements when such proof is received from Participants. The Market Operator may from time to time review the Banks on the list to confirm that continue to meet the Bank Eligibility Requirements. The maintenance of the list should not be taken of itself by a Participant, and the Market Operator shall make no warranty or representation, that the Banks listed at any given time continue to meet the Bank Eligibility Requirements.

When presenting a Letter Of Credit as a part of or in respect of its entire ~~their~~ Credit Cover, ~~the each~~ Participant must comply with the requirements as set out in Appendix A of the Code (Standard Letter of Credit) and the provisions of sections 2.10.1 to 2.10.6.

2.10.1 New Participants: Letter of Credit from New Credit Cover Provider

Where the Letter of Credit is from a new Credit Cover Provider (i.e. is not on the list on the Market Operator Website of Banks which meet the Bank Eligibility Requirements), the relevant Participant shall supply proof to the Market Operator that the Bank acting as the Credit Cover Provider meets the Bank Eligibility Requirements. The Participant shall ensure that the Letter of Credit is accepted by 5 Working Days prior to the Effective Date of the new Participant in the SEM.

2.10.2 New Participants: Letter of Credit from Existing Credit Cover Provider

In the event that a Participant provides a Letter of Credit from a Credit Cover Provider that is included in the list on the Market Operator Website, the relevant Participant shall supply proof to the Market Operator that the Bank acting as the Credit Cover Provider meets the Bank Eligibility Requirements upon request from the Market Operator (which shall be optional for the Market Operator). The Letter of Credit must be accepted by 5 Working Days prior to the Effective Date for the Participant in the SEM.

2.10.3 Existing Participants: New Letter of Credit from New Credit Cover Provider

Where a Participant provides a new Letter of Credit that is not a replacement for an existing Letter of Credit and where such Letter of Credit is from a new Credit Cover Provider (i.e. is not on the list on the Market Operator Website of Banks which meet the Bank Eligibility Requirements), the Participant shall supply proof to the Market Operator that the Bank ~~selected acting~~ as the Credit Cover Provider meets the ~~BankingBank~~ Eligibility Requirements. Such Letter of Credit may be submitted at any time and shall be valid once accepted by the Market Operator (via SWIFT).

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2.10.4 Existing Participants: New Letter of Credit from Existing Credit Cover Provider

Where a Participant provides a new Letter of Credit that is not a replacement for an existing Letter of Credit and where such Letter of Credit is from an existing Credit Cover Provider that is included in the list on the Market Operator Website, the Participant shall supply proof to the Market Operator that the Bank acting as the Credit Cover Provider meets the Bank Eligibility Requirements upon request from the Market Operator. Such Letter of Credit may be submitted at any time and shall be valid once accepted by the Market Operator (via SWIFT).

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2.10.5 Existing Participants: Renewal or Replacement Letter of Credit from New Credit Cover Provider

Where a Participant replaces an existing Letter of Credit from a Credit Cover Provider that is not on the list on the Market Operator Website, the Participant shall supply proof to the Market Operator that the Bank acting as the Credit Cover Provider meets the Bank Eligibility Requirements. The Participant shall ensure that the new Letter of Credit is accepted by the Market Operator at least 60 calendar days before expiry of the existing Letter of Credit that is being renewed or replaced.

2.10.6 Existing Participants: Renewal or Replacement Letter of Credit from Existing Credit Cover Provider

Where a Participant updates an existing Letter of Credit with a new Letter of Credit from a Credit Cover Provider that is on the list on the Market Operator Website, the Participant shall upon request from the Market Operator (which shall be optional for the Market Operator) supply proof to the Market Operator that the Bank acting as the Credit Cover Provider meets the Bank Eligibility Requirements. The Participant shall ensure that such Letter of Credit is accepted by the Market Operator at least 60 calendar days before the expiry of the expiring Letter of Credit.

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In order to assist Participants in obtaining appropriate Credit Cover, the Market Operator will shall record and list on the Market Operator Website, those Banks which have been proven by Participants to meet the Banking Eligibility Requirements and therefore meet the requirements of being a Credit Cover Provider. The Market Operator shall update and publish the list of add additional Banks who meet the Banking Eligibility Requirements when such proof is received from Participants. The Market Operator may from time to time review the Banks on the list to confirm that they still continue to meet the Banking Eligibility Requirements. The maintenance of the list should not be taken of itself by a Participant, and the Market Operator shall makes no warranty or representation, that the Banks listed at any given time continue to meet the Banking Eligibility Requirements.

3. PROCEDURE DEFINITION

3.1 MANAGEMENT OF CREDIT COVER REQUIREMENTS

3.1.1 Overview

Required Credit Cover is calculated as set out in the Code- and shall be

Required Credit Cover is monitored compared each Working Day against with the Posted Credit Cover every each Working Day. The Market Operator shall publish a Required Credit Cover report to each Participant each Working Day. Depending As a result of on this the Credit Cover assessment, various warnings may be generated, or adjustments to Required Credit Cover made.

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- If the Required Credit Cover is greater than the Posted Credit Cover:
 - The Market Operator shall, where possible, cancel Settlement Reallocation Agreements such that the resulting Required Credit Cover is less than or equal to the Posted Credit Cover. Such cancellation shall be undertaken by the Market Operator prior to the issuance of the Required Credit Cover Report on each Working Day.
 - Where such Settlement Reallocation Agreements cannot be cancelled such that the resulting Required Credit Cover is less than or equal to the Posted Credit Cover, the Market Operator shall issue a Credit Cover Increase Notice to the affected Participant as part of the Required Credit Cover report. The Market Operator shall also notify the Participant of the issuance, by telephone and/or email, by 17:00 on the day that the relevant Required Credit Cover report is issued. The issue of a Credit Cover Increase Notice (as part of the Required Credit Cover report) shall require the Participant to provide a valid response as defined below.
 - If a valid response to a Credit Cover Increase Notice is not received by 17:00 hours on the day that is two Working Days after issue of the Credit Cover Increase Notice, a Participant shall be in breach of its obligations and a Default Notice and a Suspension Order shall be issued by the Market Operator. A valid response to a Credit Cover Increase Notice shall be one of the following:
 - Taking steps to increase its Posted Credit Cover;
 - Paying an outstanding Invoice early; or
 - Entering into an appropriate Settlement Reallocation Agreement for which the Participant is a Credited Participant.
 - If the Participant later re-establishes appropriate Credit Cover and the Suspension Order was issued in respect of insufficient Credit Cover, the Market Operator shall withdraw the Suspension Order.
- Otherwise, if the ratio of Required Credit Cover to Posted Credit Cover is greater than the Warning Limit:
 - The Market Operator shall include, a formal Warning Notice in the Required Credit Cover report issued to the affected Participant. will shall be issued to the Participant by the Market Operator. If a Warning Notice is issued, The a Participant may elect to post more Credit Cover, but is not obliged to do so.
- If the Required Credit Cover is greater than the Posted Credit Cover, a Credit Cover Increase Notice is shall be issued by the Market Operator. This The issue of a Credit Cover Increase Notice shall requires the a Participant to post additional Credit Cover.

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~~== If a valid response to the Credit Cover Increase Notice is not completed by 17:00 hours on the day that is two Working Days after issue of Credit Cover Increase Notice, a Participant will shall be in breach of its obligations and a Default Notice and a Suspension Order shall be issued by the Market Operator. A valid response shall be one of the following:~~

~~• Increase Posted Credit Cover.~~

~~• Reducing Required Credit Cover by:~~

~~• Payment of an outstanding Invoice.~~

~~• Arrange the pPosting of appropriate Settlement Reallocation Agreements for which the Participant is a Credited Participant.~~

~~== Settlement Reallocation Agreements which serve to increase the Participant's Required Credit Cover will be cancelled from the next Trading Day forward to such extent that the Required Credit Cover is greater or equal to the Posted Credit Cover.~~

~~== If the Participant later re-establishes appropriate Credit Cover and the Suspension Order was have only be issued in respect of the insufficient Posted Credit Cover, the Market Operator shall remove the Suspension Order.~~

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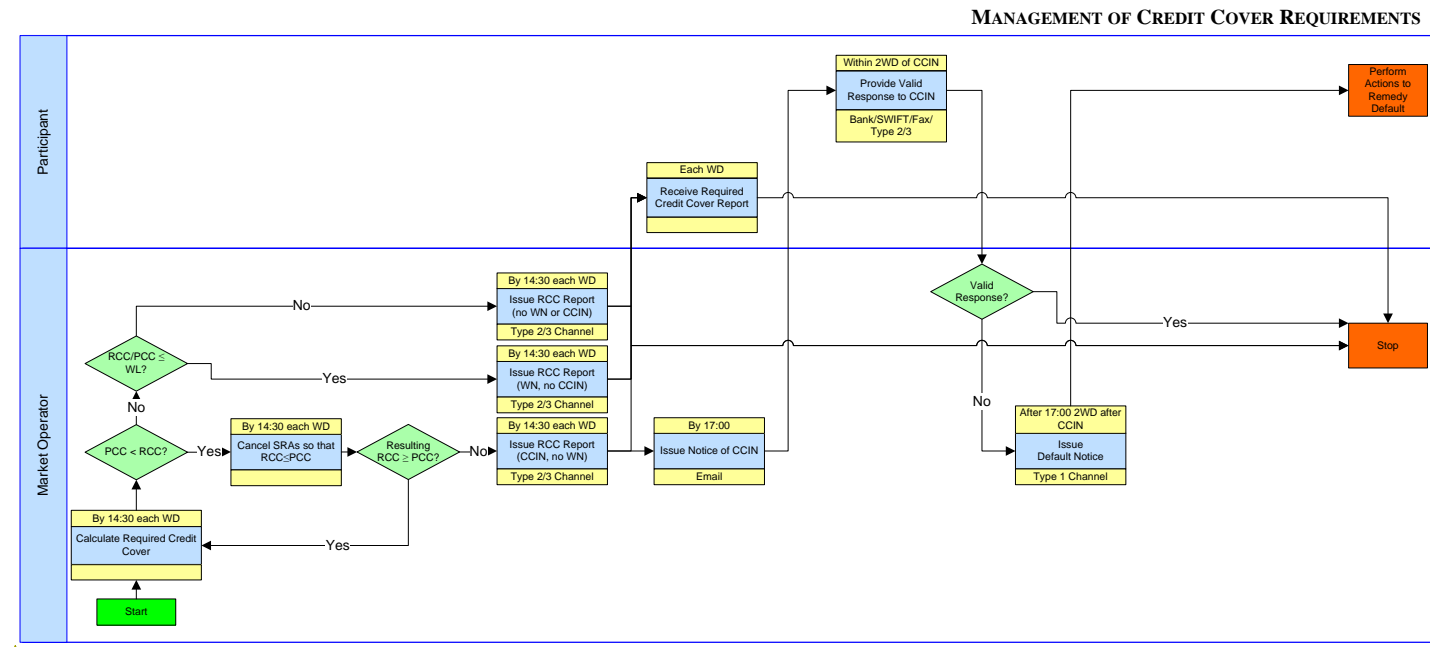
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3.1.2 Swimlane - Management of Credit Cover Requirements

Swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence in the event of conflict between Swimlanes and the Procedural Steps.

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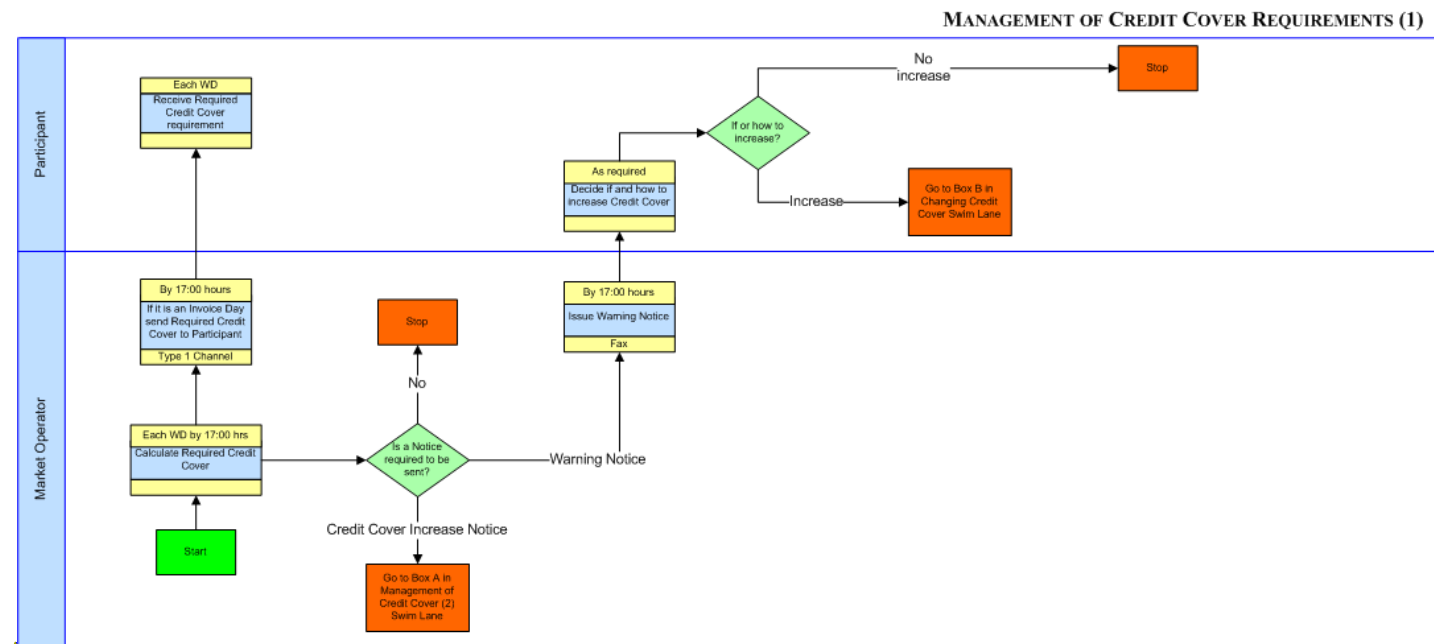
3.1.23.1.3 Procedural Steps - Management of Credit Cover Requirements

#	Procedural Step	Timing	Method	By/From	To	Linkage
C2.1	Calculate Required Credit Cover <u>for each Participant.</u>	Each WD <u>by 14:30</u>	-	Market Operator		
C2.2	<p>Calculate the ratio of Required Credit Cover to Posted Credit Cover (i.e. RCC/PCC).</p> <ul style="list-style-type: none"> If $RCC/PCC \leq$ Warning Limit then continue from step C2.4. If the $RCC/PCC >$ Warning Limit and $RCC \leq PCC$ then a Warning Notice shall apply, then continue from step C2.4. If $RCC > PCC$ then: <ul style="list-style-type: none"> If step C2.3 has been completed, continue from step C2.4; otherwise Continue from step C2.3. 	<p>Each WD by 14:30</p>	-	Market Operator		
C2.3	Where the Participant has Settlement Reallocation Agreements (SRAs) submitted where the Participant is the Debited Participant, cancel the minimum number of SRAs such that the resulting $RCC \leq PCC$ (in reverse chronological order). Return to step C2.1.	Each WD by 14:30	-	Market Operator		
C2.4	<p>If it is an Invoice Day, reduce and issue submit a Required Credit Cover report to each Participant, which shall include any Warning Notices and Credit Cover Increase Notices. If $RCC > PCC$:</p> <ul style="list-style-type: none"> Continue from step C2.5; otherwise End Process, and Posted Credit Cover and Warning Limit to each Participant 	Each Invoice WD Day by 14:30 hours	Type 2/34 Channels	Market Operator	Participant	
C2.5	Compare against Posted Credit Cover.	Each WD by 17:00	-	Market Operator		
	<ul style="list-style-type: none"> If Required Credit Cover/Posted Credit Cover ratio is below the Warning Limit then end of process. If Required Credit Cover/Posted Credit Cover ratio is greater than the Warning Limit and the Required Credit Cover is less than or equal to the Posted Credit Cover then continue from C2.4 If Required Credit Cover is greater than the Posted Credit Cover then continue from C2.6 					
C2.6	Issue a formal Warning Notice to the Participant.	Each WD by 17:00	Fax	Market Operator	Participant	

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3.1.3 Swim Lane – Management of Credit Cover Requirements (1)

These swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence, in the event of conflict between the swimlanes and the Procedural Steps.



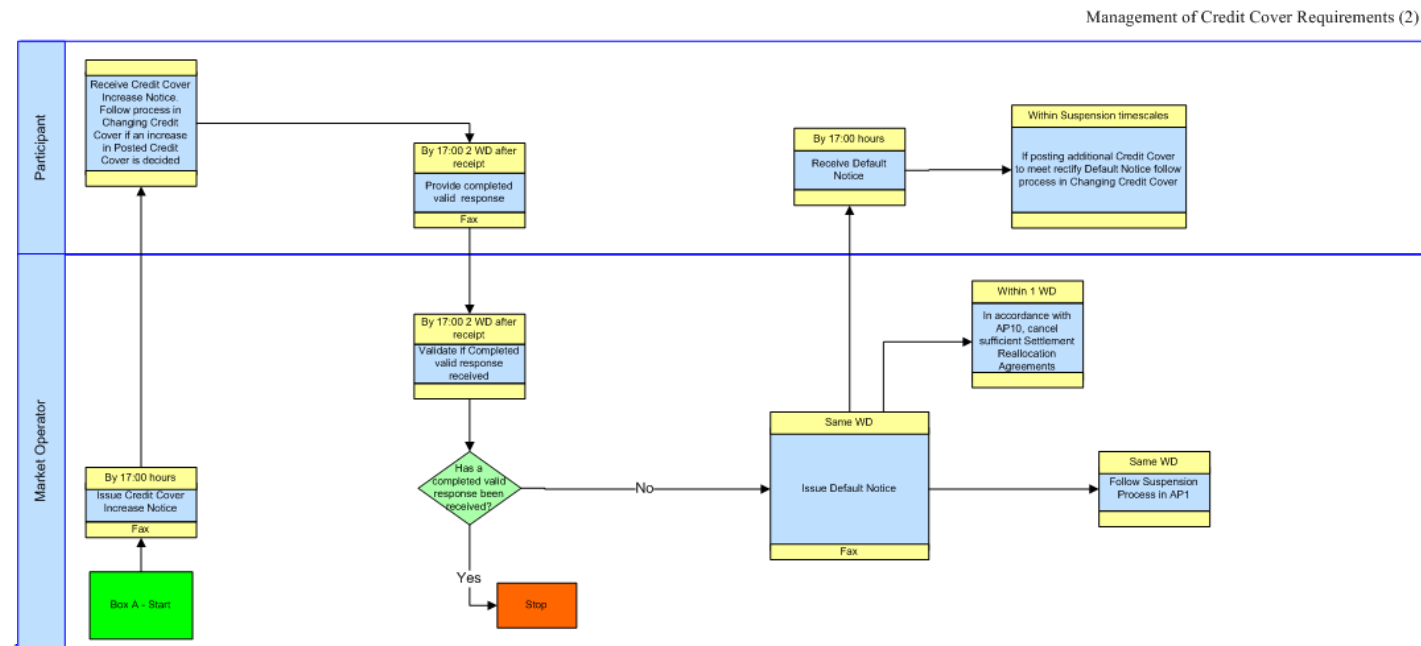
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3.1.4 Swim Lane—Management of Credit Cover Requirements (2)

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3.2 MONITORING CREDIT COVER PROVIDER

~~In order to facilitate the processing of Letters of Credit, the Market Operator shall maintain a published list of Banks on the Market Operator Website for which Participants have proven meet compliance with the Banking Eligibility Requirements. The Market Operator may shall not accept any Letters of Credit unless the a Participant supplies adequate proof that the associated Credit Cover Provider meets the Banking Eligibility Requirements, as set out in using the process in section 3.2.1.~~

The processes below shall be used to facilitate the provision and maintenance of the published list of Banks which the Market Operator assessment indicates meet the Banking Eligibility Requirements. A Participant shall retain the obligation to ensure that its Credit Cover Provider meets the Banking Eligibility Requirements throughout the entire period within which its Credit Cover Provider is in place in respect of the Participant.

3.2.1 New Eligibility of Credit Cover Providers

Where a Participant intends to use a Credit Cover Provider which is not contained in the list as published on the Market Operator Website, the Participant shall provide prove proof to the Market Operator that the potential Credit Cover Provider meets the Banking Eligibility Requirements. Such proof shall be provided by the Participant before instructing its Credit Cover Provider to register a Letter of Credit with the SEM Bank. On receipt of such proof that the potential Credit Cover Provider satisfies the Bank Eligibility Requirements, the Market Operator shall add the potential Credit Cover Provider to its published list of Banks and shall publish an updated list.

♦ ~~If a Participant uses a Credit Cover Provider that is published on the list on the Market Operator's Website, it shall nevertheless request confirmation proof from the of the relevant Bank that it continues to meet the Banking Eligibility Requirements and shall provide such proof upon request from the Market Operator. shall rely on the Participant having sought such confirmation in place of the Participant having to provide such proof provided always that if the Participant fails to get satisfactory confirmation from such Bank, it shall not have met its Credit Cover Requirements and should seek an alternative Bank. In this the event that the Participant fails to receive satisfactory proof from such Bank, the Participant should shall inform the Market Operator that such Bank has not provided such confirmation as required and the Market Operator shall remove the Bank from its published list of Credit Cover Providers that meet the Bank Eligibility Requirements.~~

On receipt of such proof that the potential Credit Cover Provider satisfies the Banking Eligibility Requirements, the Market Operator shall add the potential Credit Cover Provider to its published list of Banks and shall publish an updated list.

3.2.2 Monitoring Credit Cover Providers

As the Market Operator requires, the Market Operator shall periodically conduct a review of the Banks on its published list to assess whether the Banks still continue to meet the Banking Eligibility Requirements. Where the Market Operator assessment indicates that a particular Bank no longer meets the Banking Eligibility requirements, then the Market Operator shall remove the Bank from its published list and shall publish an update on the Market Operator website.

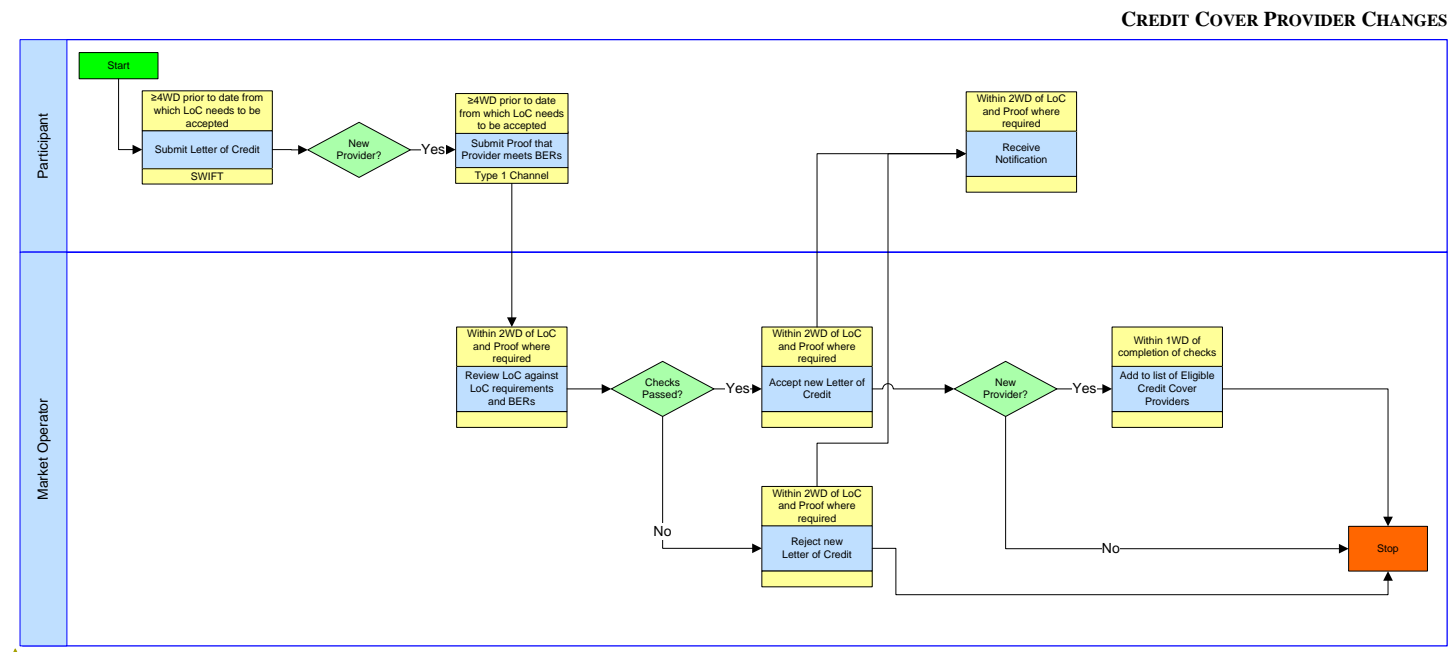
~~In addition, wWhere the Market Operator obtains information that a Bank on its published list may no longer meet the Banking Eligibility Requirements, the Market Operator shall conduct a review to assess whether the Bank still meet the Banking Eligibility Requirements. Where the Market Operator assessment considers identifies that the Bank no longer meets the Banking Eligibility requirements, then the Market Operator shall remove the Bank from its published list and shall publish an update on the Market Operator website.~~

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Where the Market Operator removes a Bank from its published list, the Market Operator shall review whether the Market Operator holds any Letters of Credit issued from that Bank and inform the relevant-affected Participants. Within 10 Working Days after issuebeen-given ~~this notice~~, each affected Participant shall ~~re~~-post any additional Credit Cover with another Credit Cover Provider to ensure it meets its Required Credit Cover obligations.

3.2.3 Swimlane - Credit Cover Provider changes

Swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence in the event of conflict between Swimlanes and the Procedural Steps.



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3.2.33.2.4 **Procedural Steps - ~~New~~ Credit Cover Provider changes**

#	Procedural Step	Timing	Method	By/From	To	Linkage
C3.1	Submit <u>to the Market Operator</u> a Letter of Credit from <u>a potential</u> new <u>or existing</u> Credit Cover Provider; <ul style="list-style-type: none"> If a new Credit Cover Provider, continue from step C3.2. If an existing Credit Cover Provider: <ul style="list-style-type: none"> If proof requested by the Market Operator, <u>along with proof that the Credit Cover Provider meets the Banking Eligibility Requirements, continue from step C.3.2;</u> otherwise Continue from step C3.3. 	At least 4 WD prior to <u>the date from which lodging of the Letter of Credit from the new Credit Cover Provider needs to be accepted</u>	<u>Type 1 Channel</u> <u>SWIFT</u>	Participant	Market Operator	
C3.2	Submit proof that the new Credit Cover Provider meets the Bank Eligibility Requirements.	At least 4 WD prior to the date from which the Letter of Credit needs to be accepted	Email / Fax	Participant	Market Operator	
C3.32	Review the <u>Letter of Credit and</u> proof supplied by the Participant to confirm that; <ul style="list-style-type: none"> The Letter of Credit meets the requirements as set out in the <u>Code (particularly Appendix A).</u> <u>The potential new Credit Cover Provider meets the Banking Eligibility Requirements.</u> 	Within 2 WD of <u>notification receipt of Letter of Credit and proof</u>	-	Market Operator	-	
C3.43	Inform <u>the</u> Participant of the results of status checks and <u>if the compliance with the Letter of Credit requirements.</u> <ul style="list-style-type: none"> If Letter of Credit and proof have passed the checks, <u>accept the Letter of Credit and continue from step C3.5 if a new Credit Cover Provider; else</u> If Letter of Credit and proof have passed the checks, <u>accept the Letter of Credit and End Process; else</u> <u>Reject the Letter of Credit and End Process, comply with the Banking Eligibility Requirements add to the published list</u> 	Within 2 WD of <u>receipt of Letter of Credit and proof/notification</u>	<u>Type 1 Channel</u> Market Operator Website Email / <u>SWIFT</u>	Market Operator Market Operator	Participant	
C3.5	Add the Credit Cover Provider to the list of Eligible Credit Cover Providers and publish the list of Eligible Credit Cover Providers to the Market Operator Website.	Within 1 WD of completion of status and compliance checks	Market Operator Website	Market Operator	Participant	

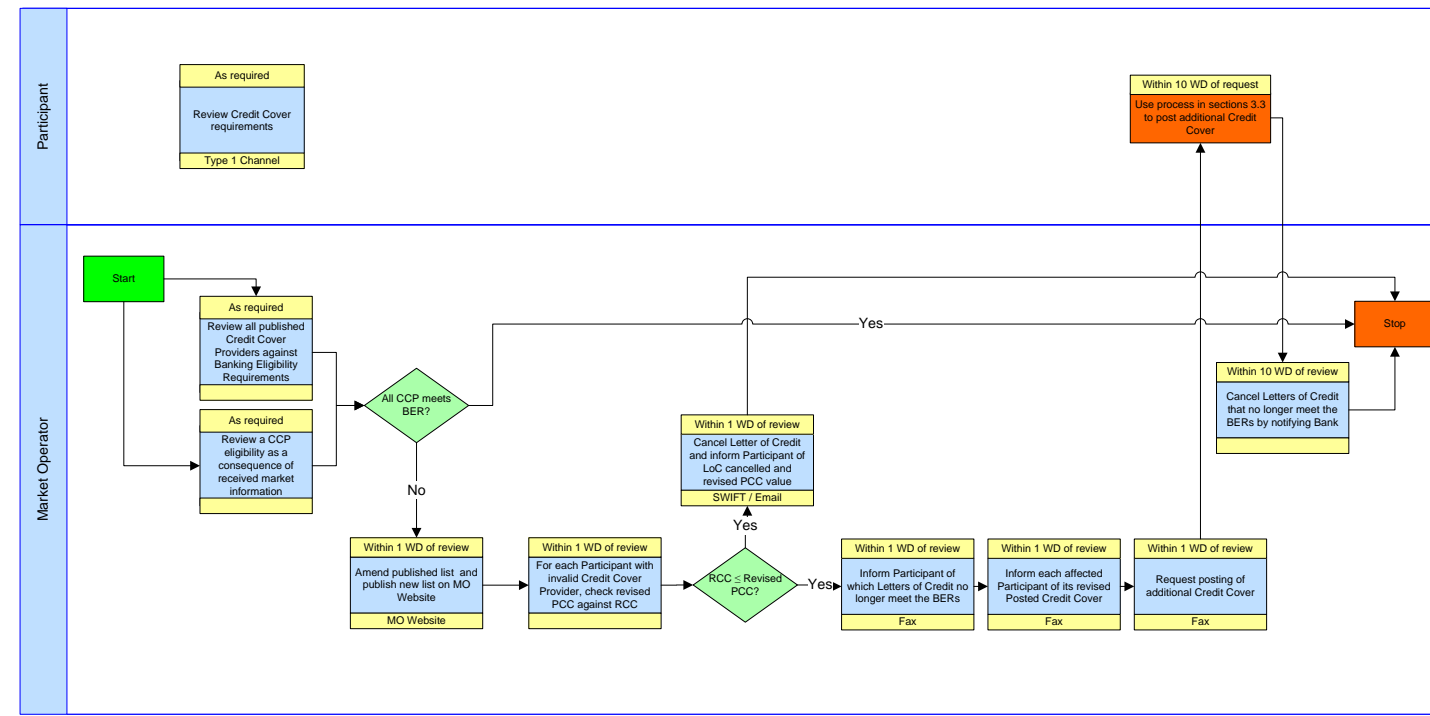
#	Procedural Step	Timing	Method	By/From	To	Linkage
C3.4	Use the process set out in section 3.3.1, "Changing Credit Cover" to update the Posted Credit Cover	Within 2 WD of notification		Market Operator	Participant	-

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3.2.5 Swimlane – Monitor Credit Cover Providers

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MONITOR CREDIT COVER PROVIDERS



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3.2.43.2.6 Procedural Steps - Monitor Credit Cover Providers

#	Procedural Step	Timing	Method	By/From	To	Linkage
C4.1	Start: Either As required by the Market Operator, <u>continue from step C4.3</u> . Or On receipt of relevant information relating to the potential status of a Credit Cover Provider published on the Market Operator Website, <u>continue from</u> <u>go to</u> step C4.2.					
C4.2	Review whether the identified Credit Cover Provider <u>still continues to meet</u> the Banking Eligibility Requirements. If the <u>Market Operator determines that the</u> Credit Cover <u>Provider</u> <u>still meets the Banking Eligibility Requirements in the opinion of the Market Operator</u> , <u>End of Process</u> . Otherwise <u>proceed continue from</u> <u>to</u> step C4.4.	Within 2 WD of receipt of information	-	Market Operator		
C4.3	Review the <u>status eligibility</u> of each Credit Cover Provider published on the Market Operator Website against the Banking Eligibility Requirements. If <u>the Market Operator determines that all the all</u> Credit Cover <u>Providers</u> <u>still meets the Banking Eligibility Requirements in the opinion of the Market Operator</u> , <u>End of Process</u> . Otherwise <u>proceed to continue from</u> <u>step</u> C4.4.	As scheduled	-	Market Operator		
C4.4	Update <u>the and</u> <u>published the</u> list of Banks that meet the Banking Eligibility Requirements.	Within 1 WD of completion of the review	Market Operator Website	Market Operator		

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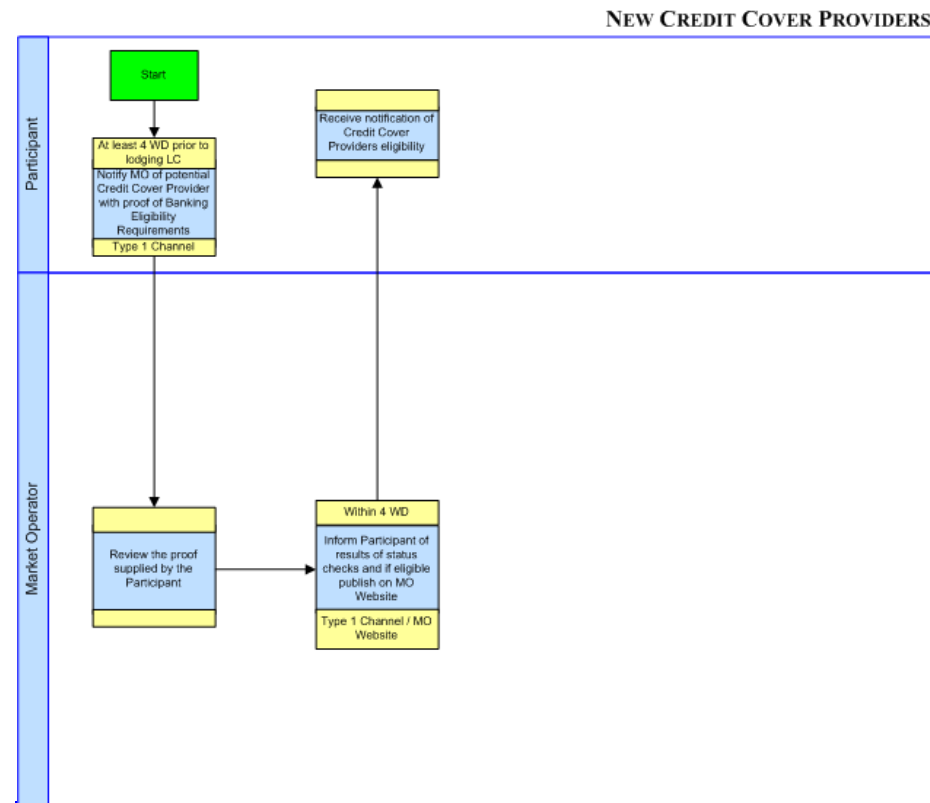
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3.2.5 Swim Lane – New Credit Cover Provider

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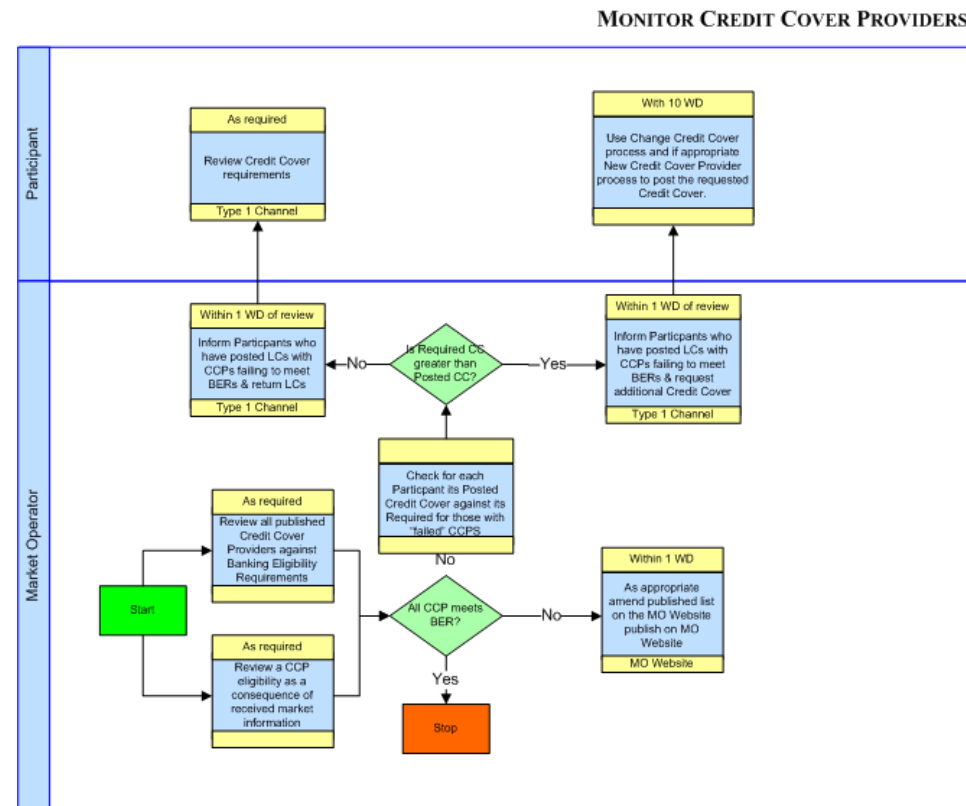
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3.2.6 Swim Lane – Monitor Credit Cover Provider

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3.3 CHANGING CREDIT COVER

Where a Participant requires or is required to change its Posted Credit Cover, ~~then~~ this can be achieved by:

- ~~—~~ registering a new Letter of Credit;
- amending an existing Letter of Credit;
- cancelling a Letter of Credit;
- ~~—, cancelling a Letter of Credit;~~
- ~~—, replacing a Letter of Credit (a new letter of Credit replacing an existing Letter of Credit from the same Credit Cover Provider);~~
- ~~—~~ depositing cash in its SEM Collateral Account; or
- ~~—~~ or withdrawing cash from its SEM Collateral Account.

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3.3.1 Registering a new Letter of Credit

Where a Participant is seeking to register a new Letter of Credit (as described in section 3.2.1), the Participant ~~should~~ shall ensure ~~that~~ the Credit Cover Provider meets the Banking Eligibility Requirements and either;

- ~~—~~ and the Bank is on the Market Operator's published list of Banks prior to submission via the appropriate channel (i.e. SWIFT); or
- ~~—~~ provide proof that the Bank meets the Bank Eligibility Requirements to the Market Operator.

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- ~~—~~ Where the If the relevant Bank meets the Banking Eligibility Requirements but is not on the Market Operator's published list of Banks, then the Participant shall follow the process in section 3.2.1 to allow the Market Operator to assess if the Bank meets the Banking Eligibility Requirements.

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~~Where~~ If the Market Operator determines that the relevant Bank meets the Letter of Credit requirements and the Banking Eligibility Requirements, and is on the Market Operator's published list of Banks then the Market Operator shall accept the Participant shall instruct its Credit Cover Provider to register the Letter of Credit with the SEM Bank, as required via SWIFT.

3.3.2 Amending an existing Letter of Credit

Where a Participant is seeking to amend an existing Letter of Credit, it shall submit the replacement Letter of Credit via the appropriate channel (i.e. SWIFT). Once received, the Market Operator shall determine whether the relevant Bank meets the Letter of Credit requirements and the Bank Eligibility Requirements.

- If such status checks are passed successfully, the Market Operator shall replace the Letter of Credit and shall cancel the previously lodged Letter of Credit.
- Otherwise, the Market Operator shall reject the cancellation/withdrawal and shall notify the Participant (via email) and, where appropriate, the affected Bank (via SWIFT).

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3.3.3 Cancelling a Letter of Credit

Where a Participant ~~requires~~ wishes to cancel a Letter of Credit ~~or to withdraw cash from its SEM Collateral Account~~, it shall issue such a request ~~to the Market Operator via its Bank~~

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(SWIFT) to the Market Operator. The Market Operator shall ~~check assess that whether~~ the Participant's Posted Credit Cover after the cancellation/~~withdrawal continues to meets~~ exceed its ~~the~~ Required Credit Cover.

- ~~-Where this the check-assessment by the Market Operator determines that Posted Credit Cover after the cancellation/withdrawal continues to meet the Required Credit Cover-, the Market Operator shall -within 2 Working Days of receipt of the request, accept the the Market Operator shall allow the Participant to instruct its Credit Cover Provider to cancellation of the Letter of Credit via SWIFT and -On receipt of notification from the Participant's Credit Cover Provider to the SEM Bank, remove details of the Letter of Credit will be removed from the Market Operator's banking systems-or release the cash from the Participant's SEM Collateral Account into the Participant's bank account.~~

- ~~What about where the check fails? Otherwise, the Market Operator shall reject the cancellation via SWIFT and shall notify the Participant (via email).~~

3.3.4 Where a Participant instructs its Credit Cover Provider to register a replacement Letter of Credit from the same Credit Cover Provider, the Market Operator shall allow the Participant to instruct its Credit Cover Provider to cancel the Letter of Credit. On receipt of notification from the Participant's Credit Cover Provider to the SEM Bank, details of the Letter of Credit will shall be removed from the Market Operator's banking systems. Depositing Cash in a SEM Collateral Account

Any Participant may deposit cash to their SEM Collateral Account without giving any prior notice to the Market Operator. Once deposited, cleared and recorded within the Market Operator's Isolated Market System, the Market Operator shall take the updated balance into account when calculating the Posted Credit Cover for the next Working Day.

3.3.5 Withdrawing Cash from a SEM Collateral Account

Any Participant shall apply to withdraw cash from their SEM Collateral Account, via the Market Helpdesk. Once the Market Operator has verified the request with the Participant and the proposed withdrawal amount:

- The Market Operator shall assess the resulting Posted Credit Cover (taking account of the proposed withdrawal amount) against the latest calculated Required Credit Cover.
 - If the resulting PCC < RCC, then the Market Operator shall reject the request to withdraw cash from the SEM Collateral Account and shall notify the affected Participant.
 - Otherwise, the Market Operator shall accept the request and shall initiate the withdrawal (in accordance with the provisions of Agreed Procedure 17).

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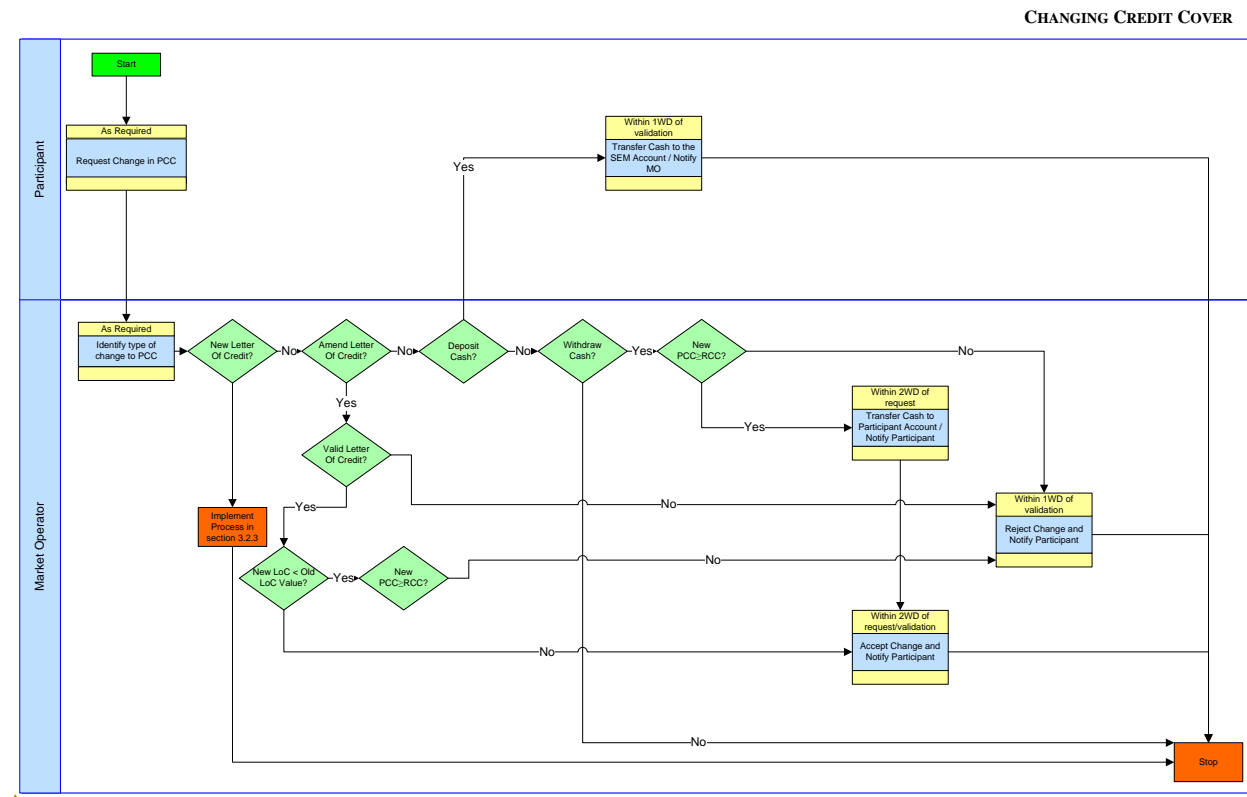
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3.3.6 Swimlane – Changing Credit Cover

Swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence in the event of conflict between Swimlanes and the Procedural Steps.



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3.3.13.3.7 Procedural Steps – Changing Credit Cover

#	Procedural Step	Timing	Method	By/From	To	Linkage
C5.1	<p>If a the required change in <u>Posted Credit Cover</u>,</p> <ul style="list-style-type: none"> is a <u>new</u> Letter of Credit from a Bank not on the published list on the Market Operator Website, <u>continue from step go to step C5.2</u>, is an <u>amendment to an existing new</u> Letter of Credit, (i.e. not replacing one from the same Credit Cover Provider) from a Credit Cover Provider on the published list on the Market Operator Website go to <u>continue from step C5.34</u>, <u>relates to the cancellation of a Letter of Credit</u>, <u>continue from step C5.6</u>, is a deposit of cash in the <u>to a</u> SEM Collateral Account, <u>go continue from to step C5.58</u>, is a <u>revised Letter of Credit</u> (i.e. replacing one from the same Credit Cover Provider) go to <u>step C5.9</u> is the cancellation of a Letter of Credit go to <u>C5.14</u> is a request for withdrawal of cash from the a SEM Collateral Account, <u>go continue from to step C5.135</u>, 	As required	-	Participant	-	
C5.2	Use the process set out in section <u>3.2.3: "Credit Cover Provider Changes"</u> <u>3.2.3 "Procedural Steps – New Credit Cover Provider"</u> , <u>which obliges to allow</u> the Market Operator to assess the <u>validity eligibility</u> of the proposed Credit Cover Provider. <u>End Process</u> .	<u>4.1.8</u>	<u>4.1.9</u>	<u>Participant</u> <u>Market Operator</u>	-	
C5.3	On completion of the process in <u>3.2.3 "Procedural Steps – New Credit Cover Provider"</u> and if the Bank has been added to the Market Operator published list go to step C5.1 and instruct the Credit Cover Provider to register the Letter of Credit with the SEM Bank.	-	-	Participant		
C5.4	Register Letter of Credit with the SEM Bank	As required	Electronic SWIFT msg	Participant's Credit Cover Provider	SEM Bank	

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#	Procedural Step	Timing	Method	By/From	To	Linkage*
C5.15	Notify the Participant of the rejection of the cash withdrawal. End Process.	Within 2 WD of request	Email	Market Operator	Participant	

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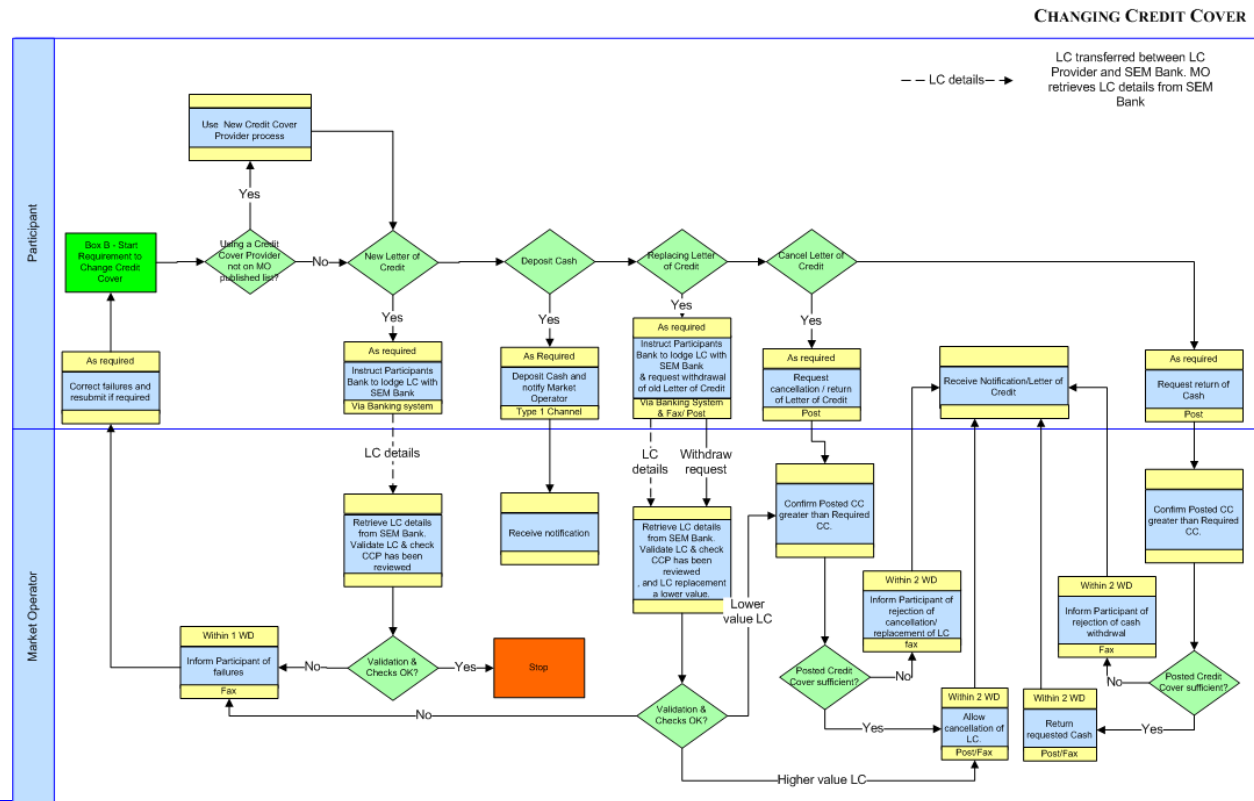
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3.3.2 Swim Lane—Changing Credit Cover

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3.4 NEW / ADJUSTED PARTICIPANTS CREDIT COVER

3.4.1 Provision of Forecast Meter Data for New Participants or Adjusted Participants

Where a New Participant registers ~~its first a~~ Unit ~~and such Unit is not an Interconnector Unit~~, it is required to provide forecast meter data ~~for its Units~~ during the registration process ~~as defined~~ in Agreed Procedure 1 "Participant and Unit Registration and Deregistration". The process ~~under-in~~ this section shall be followed by the Market Operator and the Participant to ensure that Participant satisfies its Credit Cover requirements.

~~Under the Code, e~~Each time a Participant becomes an Adjusted Participant, the Participant is required to submit forecast meter data for its Units.

~~The Participant's forecast meter data shall be used by the Market Operator to determine the Required Credit Cover in respect of the affected Participant. The forecast Meter Data shall be submitted by a Participant in the following formats:~~

- ~~Forecast of total Meter Data values for each Settlement Day from the Effective Date for the Unit until the Participant is no longer a New Participant or Adjusted Participant.~~
- ~~Other detailed forecast as defined by the Market Operator.~~

3.4.2 Calculation of Required Credit Cover

The Market Operator shall use the received forecast ~~meter~~ data (either from ~~the an~~ Adjusted Participant or from ~~the a~~ New Participant) to calculate the Required Credit Cover for the Participant and ~~shall~~, if necessary, issue a Credit Cover Increase Notice ~~to the Participant~~.

The Participant shall ~~use-comply with~~ the process in section ~~3.3.1 "Procedural Steps—Changing Credit Cover"~~ 3.3.6 "Changing Credit Cover" to provide the Required Credit Cover. ~~The Participant shall This may also require the use of-comply with~~ the process in section ~~3.2.3 "Credit Cover Provider changes"3.2.3 "Procedural Steps—New Credit Cover Provider"~~ or ~~the use of~~ Agreed Procedure 17 "Banking and Participant Payments" to set up an SEM Collateral Account.

At the request of ~~the any~~ Participant, the Market Operator shall inform the Participant whether sufficient Credit Cover has been posted.

~~The Participant's meter data forecast shall be used by the Market Operator in to determining the Required Credit Cover in respect of the affected Participant.~~

~~Their meter data forecast shall be submitted by the a Participants in the following formats:~~

- ~~One single forecast volume (at Trading Period resolution) to be applied for all Trading Periods of in the relevant Undefined Exposure Period.~~
- ~~An increase expressed as either a percentage or an incremental volume value to be applied to historical data present in the Historical Assessment Periods (only valid for Adjusted Participants).~~
- ~~A series of forecast volumes per Trading Period for all Trading Periods within all Undefined Exposure Periods until the Participant is no longer a New Participant or an Adjusted Participant.~~
- ~~Other detailed forecast as agreed with the Market Operator.~~

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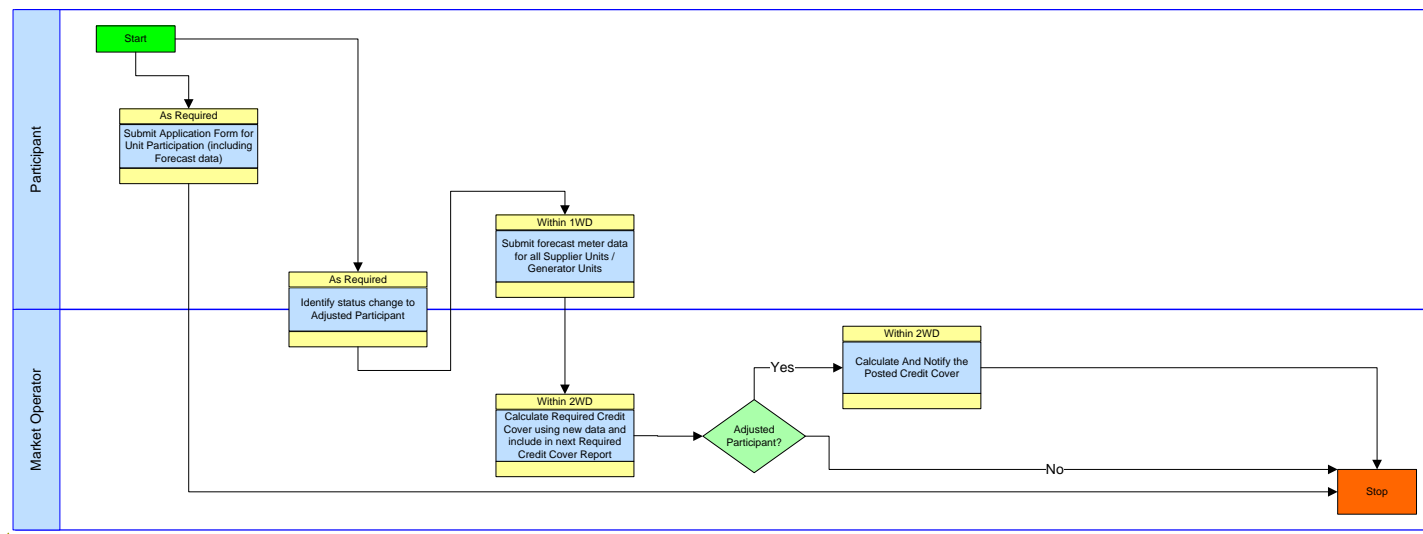
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3.4.3 Swimlane – New/Adjusted Participant Credit Cover

Swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence in the event of conflict between Swimlanes and the Procedural Steps.

CHANGING CREDIT COVER



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3.4.13.4.4 Procedural Steps - New / Adjusted Participants Credit Cover

#	Procedural Step	Timing	Method	By/From	To	Linkage
C6.1	Start: From Either: 1. On receipt of Application form for First Unit Participation (in respect of Unit that is not an Interconnector Unit), in accordance with Agreed Procedure 1 "Participant and Unit Registration and Deregistration". Go to step C6.3. Or 2. In the event that a Participant becomes an Adjusted Participant.	As required	-	New Participant / Adjusted Participant / Market Operator		
C6.2	Submit forecast meter data for all its Supplier Units and/or Generator Units registered to the Participant, as specified in section 3.4.1.	1.1.10 Within 1 WD	1.1.11 Type 1 Channel	1.1.12 Participant	1.1.13 Market Operator	
C6.3	Calculate and notify the Required Credit Cover, utilising the forecast data supplied. Then: 1. If an Adjusted Participant, continue from step C6.4. 1-2. Otherwise, and if Adjusted Participant its current Posted Credit Cover. End Process.	Within 2 WD	Type 1 Channel	Market Operator	New Participant / Adjusted Participant	
C6.4	Follow the process in section 3.3.1 "Procedural Steps – Changing Credit Cover" to provide the Required Credit Cover and if required, in section 3.2.3 "Procedural Steps – New Credit Cover Provider".	Within 10 WD for Adjusted Participant As required for New Participant	-	-		
C6.5	Request review of Posted Credit Cover to see if sufficient	As required	Type 1 Channel	Participant	Market Operator	
C6.6	Review Posted Credit Cover against Required Credit Cover (as calculated in step C6.3) — If sufficient Posted Credit Cover go to step C6.8 — Otherwise go to step C6.7	-	Market Operator			
C6.7	Advise Participant that further Credit Cover is required Go to step C6.4	Within 2 WD	Type 1 Channel	Market Operator	New Participant / Adjusted Participant	

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#	Procedural Step	Timing	Method	By/From	To	Linkage
C6.8	Confirm sufficient Posted Credit Cover in place End of process	Within 2 WD	Type 1 Channel	Market Operator	New Participant / Adjusted Participant	
C6.4	Calculate and notify the current Posted Credit Cover, as part of the Required Credit Cover report. End Process	Within 2 WD	Type 1 Channel	Market Operator	New Participant / Adjusted Participant	

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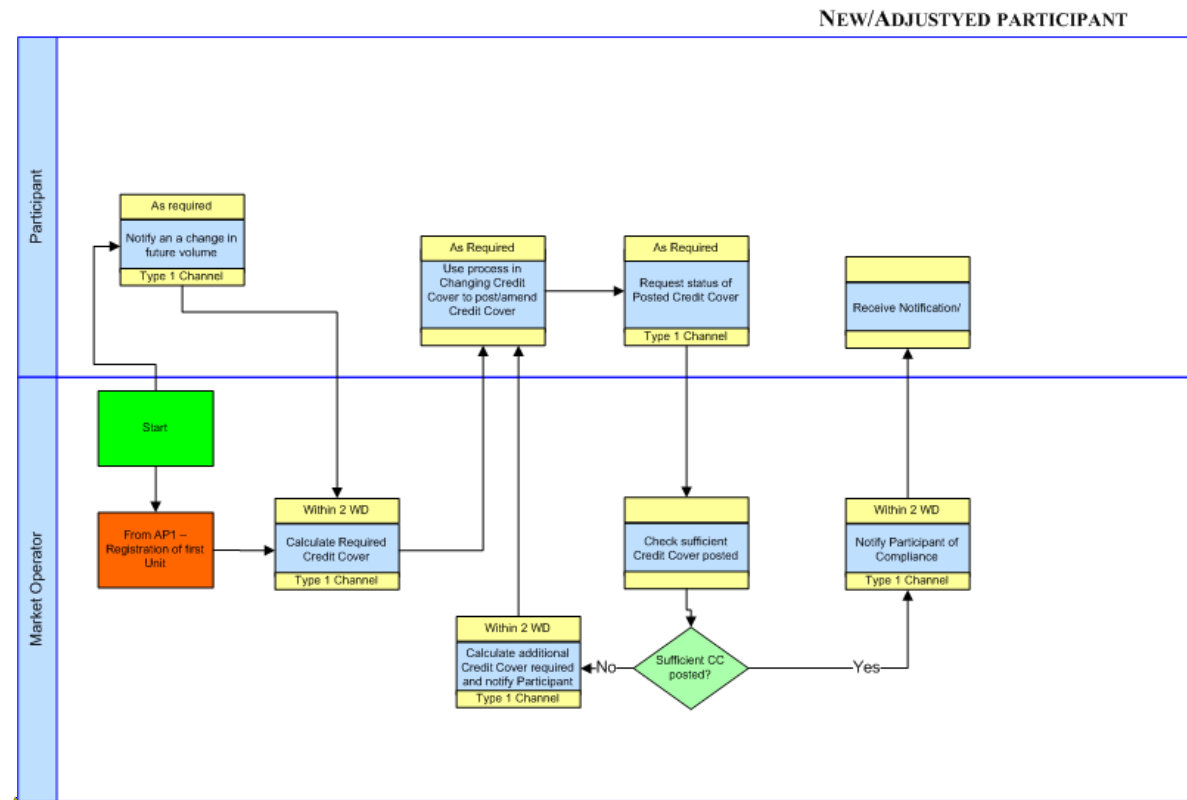
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3.4.2 Swim Lane – New / Adjusted Participants Credit Cover

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3.5 USING EXCESS CASH COLLATERAL TO PAY OUTSTANDING INVOICES

3.5.1 Overview

A Participant may request the Market Operator (MO) to use cash in its Cash Collateral Account that is in excess of its Required Credit Cover ("Excess Cash Collateral") to make payment of outstanding Invoice amounts.

This mechanism is provided to give additional flexibility in exceptional circumstances, however which shall not apply for an Invoice in respect of a Fixed Market Operator Charge (FMOC). This should not be considered a replacement for the normal payment processes, as mechanisms outlined in section 2.5 of Agreed Procedure 17. Examples of such exceptional circumstances include:

- (a) Invoice amounts being less €25 or its sterling equivalent in the designated currency in respect of a Participant depending on the respective currency.
- (b) Where a Participant does not usually make payments into the market to the SEM for Invoices (e.g. Generator Participants making Resettlement Invoice payments).

The following invoice type will be excluded from this provision: Fixed Market Operator Charge (FMOC).

The Market Operator will shall require the Participant to give written instruction to use the funds from their Excess Cash Collateral to make payments by sending an email to the MO Market Helpdesk mailbox: MarketHelpdesk@sem-o.com. This Such email must be received two Working Days prior to the relevant Invoice Due Date.

- The email subject should read be:
 - REQUEST: PT_X000YY - Payment using Excess Cash Collateral.
- The email must specify:
 - Participant's Account ID (e.g. PT_X000YY).
 - Invoice Number to be Paid.
 - Amount to be Paid.

On receipt of such email, the Market Operator will shall check the credit position of the Participant based on the most recent Required Credit Cover Report, as at the date and time of receipt of the email request. The Market Operator will shall check from using the data within the Required Credit Cover Report that whether making payment of the outstanding requested Invoice will not cause the Participant's Posted Credit Cover to drop fall below the Required Credit Cover, and that the full Invoice amount to be paid can may be taken from the Participant's Cash Collateral Reserve Account:

- If the Participant has Excess Cash Collateral, the Market Operator will transfer money from the Participant's Cash Collateral Reserve Account to make payment of the specified outstanding Invoice.
- If the Participant has insufficient funds, then the emailed request will shall be denied.

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The Market Operator will~~shall~~ reply to the email request irrespective of the outcome of the check, by the end of the next Working Day~~after following~~ the receipt of the email request. Such Market Operator response shall~~to~~ confirm whether the payment can be made ~~or not~~ from Excess Cash Collateral.

Should the request be denied, ~~the a~~ Participant shall continue to have the~~is still under~~ obligation to make payment of Invoices, by the due date and time, as defined in the Code.

Note: Given the response time defined ~~above, the a~~ Participant must have submitted their request to use Excess Cash Collateral at least two2 Working Days~~before prior to~~ the due date of the affected Invoice, in order to ensure that a valid request will be processed in time to enable payment from Excess Cash Collateral.

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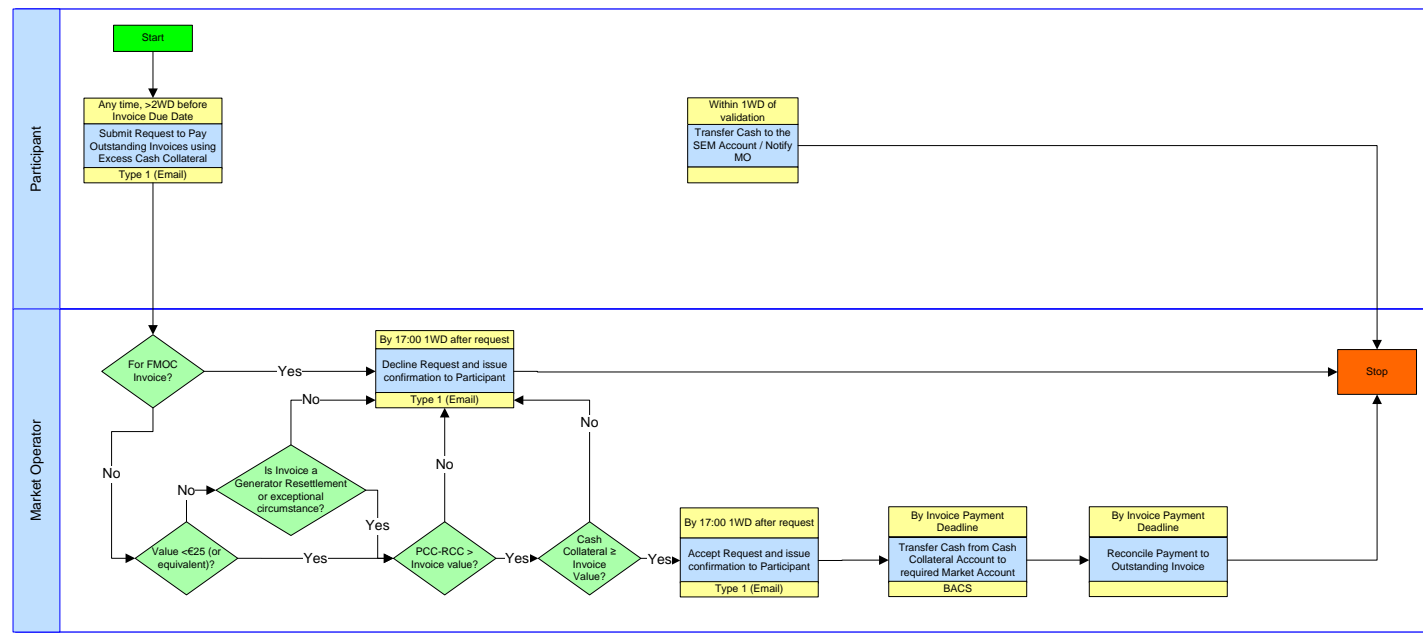
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3.5.2 Swimlane – Using Excess Collateral to Pay Outstanding Invoices

Swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence in the event of conflict between Swimlanes and the Procedural Steps.

USING EXCESS CASH COLLATERAL TO PAY OUTSTANDING INVOICES



3.5.3 3.5.2 Procedural Steps - Using Excess Cash Collateral to Pay Outstanding Invoices

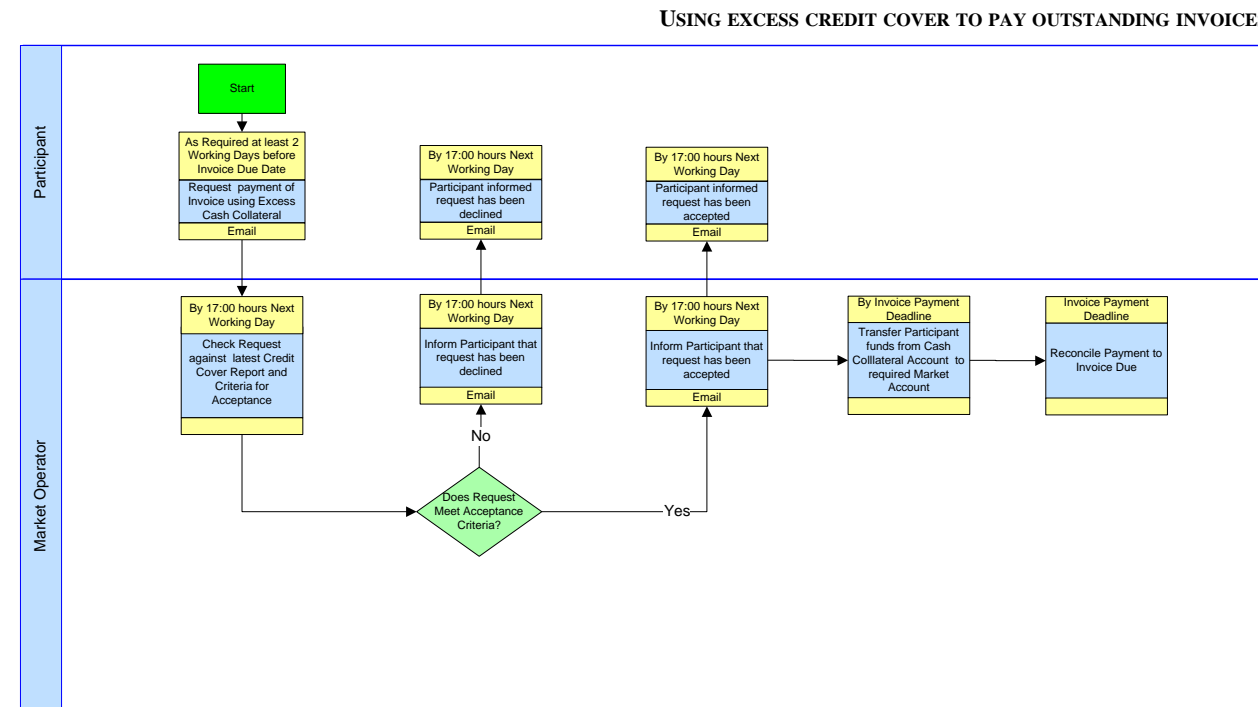
#	Procedural Step	Timing	Method	By/From	To	Linkage
C7.1	Participant emails Market Operator with request to pay an outstanding Invoice using Excess Cash Collateral.	Whenever Required - at least <u>two working days 2 WD</u> before Invoice Due Date	Email	Participant	Market Operator	
C7.2	<p>1. a) Check if the invoice is for Fixed Market Operator Charge (FMOC).</p> <ul style="list-style-type: none"> If invoice is an FMOC Invoice, proceed jump to step C7.3. Otherwise, proceed to 2. <p>2. b) Check if the amount is less than €25 or its sterling equivalent.</p> <ul style="list-style-type: none"> If less than €25 or its sterling equivalent, -continue with 3.e) If greater than €25 or its sterling equivalent, -check if the Invoice is a Generator Resettlement Invoice or there is another exceptional circumstance? <ul style="list-style-type: none"> a. If yes, continue proceed to 3. with e) b. If no, jump to continue from step C7.3. <p>3. e) Compare request relevant Invoice value against the following values:</p> <ul style="list-style-type: none"> a) Total Cash Collateral Available (as at prior to the email request date and time, taking into account any other Invoices associated with the request) for Participant prior to the email request date and time. b) Posted Credit Cover (as at prior to the email request date and time, taking into account any other Invoices associated with the request) from latest Credit Cover Report available prior to email request date and time; and Required Credit Cover (as included within the most recent Required Credit Cover Report). <p>If the Posted Credit Cover less the Required Cover is greater than or equal to the Invoice value and the Total</p>	By 17:00 next 1 WD after request	Email	Market Operator		

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#	Procedural Step	Timing	Method	By/From	To	Linkage*	Formatted: Font: 9 pt	Formatted: Space Before: 2 pt, After: 2 pt	Formatted
	<p>Cash Collateral Available is greater than or equal to the Invoice value, available cash collateral is sufficient and the transfer request will not result in Credit Cover Breach. Then continue-continue from from step C7.4.</p> <p>If the Posted Credit Cover less the Required Cover is less than the Invoice value or the Total Cash Collateral Available is less than the Invoice value available cash collateral is insufficient or the transfer request will result in a Credit Cover Breach then continue from continue with step C7.3.</p>						Formatted		
C7.3	Issue a reply email to Participant stating that confirmation stating request that the request for payment of the relevant Invoice using Cash Collateral has been declined and that alternative method of payment must be made arranged by the Participant. End of Process.	By 17:00 next WD after request	Email	Market Operator	Participant		Formatted: Font: 9 pt	Formatted: Space Before: 2 pt, After: 2 pt	Formatted
C7.4	Issue a reply email to Participant confirmation stating that the request for payment of the relevant Invoice using Cash Collateral that request has been approved.	By 17:00 next WD after request	Email	Market Operator	Participant		Formatted: Font: 9 pt	Formatted: Space Before: 2 pt, After: 2 pt	Formatted
C7.5	Perform transfer of cash from Participant's Cash Collateral Reserve Account to required Market Account.	By Invoice payment deadline		Market Operator			Formatted: Font: 9 pt	Formatted: Space Before: 2 pt, After: 2 pt	Formatted
C7.6	Reconcile payment to outstanding Invoice. End Process.	By Invoice payment deadline		Market Operator			Formatted: Font: 9 pt	Formatted: Space Before: 2 pt, After: 2 pt	Formatted
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3.5.3 Swim Lane – Using Excess Cash Collateral to Pay Outstanding Invoices.

These swimlanes are provided as an illustration of the Procedural Steps. The Procedural Steps take precedence, in the event of conflict between the swimlanes and the Procedural Steps.



APPENDIX 1: DEFINITIONS AND ABBREVIATIONS

DEFINITIONS

Actual Exposure	As defined in the Code
Adjusted Participant	As defined in the Code
Agreed Procedure	As defined in the Code
Analysis Percentile Parameter	As defined in the Code
Bank Eligibility Requirements	As defined in the Code
Billing Period	As defined in the Code
Billing Period 1	The first Billing Period to which a Settlement Risk Period applies
Billing Period 2	The second Billing Period to which a Settlement Risk Period applies
Billing Period 3	The third Billing Period to which a Settlement Risk Period applies
Capacity Charge	As defined in the Code
Capacity Payment	As defined in the Code
<u>Capacity Period</u>	<u>As defined in the Code</u>
Code	As defined in the Code
Credit Assessment Price	As defined in the Code
Credit Call	As defined in the Code
Credit Cover	As defined in the Code
Credit Cover Adjustment Trigger	As defined in the Code
Credit Cover Increase Notice	As defined in the Code
Credit Cover Provider	As defined in the Code
Credit Risk	The potential amount of payment default by a Participant on their financial obligations in the SEM
Currency	As defined in the Code
Default Notice	As defined in the Code.
Deregistration	As defined in the Code
<u>Effective Date</u>	<u>As defined in the Code</u>
Estimated Capacity Price	As defined in the Code
Estimated Energy Price	As defined in the Code
Euro	As defined in the Code
Ex-Post Indicative Settlement Statement	As defined in the Code
<u>Gate Window Closure</u>	<u>As defined in the Code</u>
Generation Participant	As defined in the Code

Generator	As defined in the Code
Historical Assessment Period	As defined in the Code
Imperfections Price	As defined in the Code
Initial Settlement Statement	As defined in the Code
<u>Interconnector Unit</u>	As defined in the Code
<u>Interconnector Unit Traded Exposure</u>	As defined in the Code
Interest	As defined in the Code
Invoice	As defined in the Code
Invoice Day	The day that an Invoice and or Self Billing Invoice is prepared and sent to Participants.
Letter of Credit	As defined in the Code
Market Operator	As defined in the Code
<u>Market Operator Charge</u>	As defined in the Code
Meter Data	As defined in the Code
Meter Data Provider	As defined in the Code
Minimum Collateral Level	The minimum level of Posted Collateral which is €50,000 or £35,000
<u>MSP Software</u>	As defined in the Code
New Participant	As defined in the Code
<u>Offered Exposure</u>	As defined in the Code
Participant	As defined in the Code
Party	As defined in the Code
Payment Due Date	As defined in the Code
Posted Credit Cover	As defined in the Code
Pounds Sterling	As defined in the Code
Regulatory Authorities	As defined in the Code
Required Collateral	Total Collateral posting required by the MO to cover a Participant's exposures.
Required Credit Cover	As defined in the Code
Resettlement	As defined in the Code
Re-Settlement Exposure	The potential exposure from Resettlement for a Participant
Retail Market Operator	As defined in Agreed Procedure 1 "Participant and Unit Registration and Deregistration"
Secured Credit	See Credit Cover
SEM Collateral Reserve Account	As defined in the Code
Settlement	As defined in the Code

Settlement Period	As defined in the Code
Settlement Reallocation	As defined in the Code
Settlement Reallocation Agreement	As defined in the Code
Settlement Reallocation Amount	As defined in Agreed Procedure 10 "Settlement Reallocation"
Settlement Risk Period	As defined in the Code
Shortfall	As defined in the Code
Single Electricity Market	As defined in the Code
Supplier of Last Resort	As defined in the Code
Supplier Suspension Delay Period	As defined in the Code
Supplier Unit	As defined in the Code
Suspension	As defined in the Code
Suspension Order	As defined in the Code
<u>SWIFT</u>	The global communication network which facilitates secure international exchange of payment instructions.
Termination	As defined in the Code
Termination Order	As defined in the Code
Time-to-Remedy	Grace period granted to a Participant to remedy a non-payment of financial obligations to the market before Suspension Orders come into affect.
<u>Traded Exposure</u>	As defined in the Code
Trading Charges	As defined in the Code
Trading Day	As defined in the Code
Trading Payments	As defined in the Code
Trading Period	As defined in the Code
Type 1 Channel	As defined in the Code
Undefined Exposure Period	As defined in the Code
Undefined Potential Exposure	As defined in the Code
Unit	As defined in the Code
Unit Registration	As defined in the Code
Unsecured Credit	Credit extended to a Participant on the basis of its deemed financial standing, without the requirement to post security (i.e. Collateral).
Variable Market Operator Price	As defined in the Code
VAT	As defined in the Code
Warning Limit	As defined in the Code

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Warning Notice	As defined in the Code
Working Day	As defined in the Code

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ABBREVIATIONS

AnPP	Analysis Percentile Parameter
LC	Letter of Credit
LC Provider	Letters of Credit Provider
MO	Market Operator
SEM	Single Electricity Market
WD	Working Day

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APPENDIX 2: CALCULATION OF VAT FOR REQUIRED CREDIT COVER

~~As per~~ In accordance with Section 6 of the Code, the Required Credit Cover for each Participant shall include an amount in respect of VAT. This amount shall be calculated as follows.

- For published Invoices and Self Billing Invoices that are included in the Actual Supplier Exposure and Actual Generator Exposure, the amount of VAT as calculated on the Invoice will be included in the VAT amount of the Required Credit Cover. This applies to Invoices and Self Billing Invoices issued in respect of Trading Charges and Payments, Capacity Charges and Payments and Variable Market Operator Charges.

— For published Settlement Statements that have not been included in any Invoices or Self Billing Invoices, an amount in respect of VAT will be calculated for all the payments and charges in accordance with the rules as set out in Agreed Procedure 15. This amount will be included in the VAT amount of the Required Credit Cover. This applies to Settlement Statements issued in respect of Trading Charges and Payments, Capacity Charges and Payments and Variable Market Operator Charges.

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- For the amounts calculated in respect of Undefined Potential Exposure amounts, an amount in respect of VAT will be calculated. The VAT will be ~~calculated~~ calculated in accordance with the rules as set out in Agreed Procedure 15 ~~except where the VAT is in relation to amounts calculated in respect of Trading Charges and Variable Market Operator Charges in a Currency Zone where different VAT rates apply to these charges. In this circumstance a future VAT rate which will be based on an average of the VAT rates applicable in the relevant Currency Zone will be applied.~~

- ~~The future VAT rate will be published on the Market Operator Website. This amount will be included in the VAT amount of the Required Credit Cover.~~

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- For the amounts calculated in respect of Offered Exposure and Traded Exposure for Interconnector Units, amounts in respect of VAT will be calculated. The standard rate of VAT for each Participant will apply and shall be included in the VAT amount of the Required Credit Cover.