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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 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) | | | | | |

**Notes on completing Modification Proposal Form:**

1. **If a person submits a Modification Proposal on behalf of another person, that person who proposes the material of the change should be identified on the Modification Proposal Form as the Modification Proposal Originator.**
2. **Any person raising a Modification Proposal shall ensure that their proposal is clear and substantiated with the appropriate detail including the way in which it furthers the Code Objectives to enable it to be fully considered by the Modifications Committee.**
3. **Each Modification Proposal will include a draft text of the proposed Modification to the Code unless, if raising a Provisional Modification Proposal whereby legal drafting text is not imperative.**
4. **For the purposes of this Modification Proposal Form, the following terms shall have the following meanings:**

**Agreed Procedure(s): means the detailed procedures to be followed by Parties in performing their obligations and functions under the Code as listed in Appendix D “List of Agreed Procedures”.**

**T&SC / Code: means the Trading and Settlement Code for the Single Electricity Market**

**Modification Proposal: means the proposal to modify the Code as set out in the attached form**

**Derivative Work: means any text or work which incorporates or contains all or part of the Modification Proposal or any adaptation, abridgement, expansion or other modification of the Modification Proposal**

**The terms “Market Operator”, “Modifications Committee” and “Regulatory Authorities” shall have the meanings assigned to those terms in the Code.**

**In consideration for the right to submit, and have the Modification Proposal assessed in accordance with the terms of Section 2 of the Code (and Agreed Procedure 12), which I have read and understand, I agree as follows:**

**1. I hereby grant a worldwide, perpetual, royalty-free, non-exclusive licence:**

* 1. **to the Market Operator and the Regulatory Authorities to publish and/or distribute the Modification Proposal for free and unrestricted access;**
  2. **to the Regulatory Authorities, the Modifications Committee and each member of the Modifications Committee to amend, adapt, combine, abridge, expand or otherwise modify the Modification Proposal at their sole discretion for the purpose of developing the Modification Proposal in accordance with the Code;**
  3. **to the Market Operator and the Regulatory Authorities to incorporate the Modification Proposal into the Code;**

**1.4 to all Parties to the Code and the Regulatory Authorities to use, reproduce and distribute the Modification Proposal, whether as part of the Code or otherwise, for any purpose arising out of or in connection with the Code.**

**2. The licences set out in clause 1 shall equally apply to any Derivative Works.**

**3. I hereby waive in favour of the Parties to the Code and the Regulatory Authorities any and all moral rights I may have arising out of or in connection with the Modification Proposal or any Derivative Works.**

**4. I hereby warrant that, except where expressly indicated otherwise, I am the owner of the copyright and any other intellectual property and proprietary rights in the Modification Proposal and, where not the owner, I have the requisite permissions to grant the rights set out in this form.**

**5. I hereby acknowledge that the Modification Proposal may be rejected by the Modifications Committee and/or the Regulatory Authorities and that there is no guarantee that my Modification Proposal will be incorporated into the Code.**

# Appendix 1:

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| **V.5** | **05/05/2011** |
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| **Guidelines to Letters of Credit** | |
|  |  |
| 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. | |
|  |  |
|  |  |
| **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 |

|  |  |
| --- | --- |
| **Beneficiary Address** | |
|  | The Oval  160, Shelbourne Road  Ballsbridge, Dublin 4  Republic of Ireland |
| or | Castlereagh House  12 Manse Road  Belfast BT6 9RT  Northern Ireland |
|  |  |
|  |  |
| **27** | **SEQUENCE OF TOTAL** |
|  | 1 / 1 |
|  |  |
| **40A** | **Form of Doc Credit** |
|  | IRREVOCABLE STANDBY LETTER OF CREDIT |
|  |  |
| **20** | **Documentary Credit Number** |
|  |  |
| **31C** | **Date of Issue** |
|  |  |
| **40E** | **Applicable Rules** |
|  | UCP LATEST VERSION |
|  |  |
| **31D** | **Date and Place of Expiry** |
|  |  |
| **50** | **Applicant (Market Participant's Bank)** |
|  |  |
| **59** | **Beneficiary** |
|  | “EirGrid plc and SONI Limited, trading as SEMO”, |
|  | being the Market Operator under the SEM Trading and Settlement Code. [address] |
|  |  |
| **31B** | **Currency Code, Amount (Maximum total amount)** |
|  |  |
| **41D** | **Available With (ADVISING BANK IE SEMO'S BANK BY PAYMENT)** |
|  |  |
| **43P** | **Partial Shipments/Drawings** |
|  | Allowed |
|  |  |
| **46A** | **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** |
|  |  |
| **47A** | **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). |
| **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. |
|  |  |
| **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. |
|  |  |
| **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. |
|  |  |
| **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. |
|  |  |
| **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. |
|  |  |
| **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 |
|  |  |
|  | **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. |