

Modification 0144A “Quantification of Value At Risk (VAR) to determine a User’s minimum Code Credit Limit Requirement”

The Proposer, Wales & West Utilities, requests a variation to this Proposal, pursuant to UNC Modification Rules Section 6.5.1(c) of the UNC.

Reason for Variation

It has been identified that there is an error in both the wording of the Modification Proposal and the suggested Legal Text. The corrected drafting is shown below along with a clarification to the opening paragraph of the DMR.

Nature of Variation

During discussion at the Distribution Workstream members asked for clarification about the source of the definition of “Value at Risk” (VAR). The wording of the second paragraph of the DMR should be amended to make it clear that the definition comes from the Best Practice Guidelines.

“The recommendations contained within the conclusions document propose that Transporters adopt a ‘Value at Risk’ (VAR) mechanism to determine the minimum value of Code Credit Limit required to be in place.

This defines that the VAR at any one point in time is deemed to be:

- the aggregate value of all Transportation charges which at that time have been invoiced to the User that remain unpaid (regardless of whether the Invoice Due Date has passed), plus
- a deemed amount equal to the aggregate value of all Transportation charges that would be incurred in a fifteen day period at the same average daily rate implicit in the invoiced amounts identified above.”

In the original 0144A Proposal there was an error in drafting which limited the unpaid invoices to those issued in the previous calendar month, this is incorrect and the amended wording is shown below:

This Alternative Modification Proposal therefore proposes the following calculation of VAR as a basis for the minimum value for which a User must provide security.

The VAR at any one point in time is deemed to be:

- The aggregate amount of Transportation Charges invoiced to the User ~~in the previous calendar month~~ but remaining unpaid (irrespective of whether such amount has become due for payment); plus
- The average daily rate of the aggregate amount of Transportation Charges invoiced to the User in the previous calendar month multiplied by 20.

Suggested Legal Text

The Suggested Legal Text also requires amendment to reflect the intent of the proposal as described above.

TPD SECTION V: GENERAL

Delete Paragraphs 3.1.2(a) and 3.1.2(b), and renumber 3.1.2 (c) so that it shall read as follows:

“The Code Credit Rules to Users setting out (inter alia) procedures by which a User may discuss its Code Credit Limit with the Transporter”.

Amend paragraph 3.2.1 to read as follows:

“For the purposes of the Code:

- a) **“Code Credit Limit”** is the sum of a User’s Unsecured Credit Limit and any security provided by a User pursuant to paragraph 3.4, provided that such amount must be equal to or greater than the User’s Value at Risk;
- b) ...
- c) ...
- d) **“Value at Risk”** at any point in time is the sum of:
 - (i) The aggregate amount (other than Energy Balancing Charges) invoiced to the User ~~in the previous calendar month~~ pursuant to Section S but remaining unpaid (irrespective of whether such amount has become due for payment); and
 - (ii) The average daily rate of the aggregate amount (other than Energy Balancing Charges) invoiced to the User in the previous calendar month multiplied by 20.

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