

# Schedule to the Payment Security Policy

## **Relevant Sections of NIE Payment Security Policy for Counterparties**

Draft Version  
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The following are the relevant sections of NIE's payment security policy prepared under Condition 3, Paragraph 10, of Part IIB of NIE's Transmission and Public Electricity Supply Licence setting out the applicable NIE policy on the taking of security under relevant agreements. These relevant sections are current as at the date set out at above and may be amended by NIE from time to time in accordance with applicable procedures.

The remainder of the payment security policy is confidential and not available to Counterparties.

These relevant sections do not amend the relevant agreement and, to the extent of any conflict, the agreement prevails.

### **1 Credit Rating**

NIE will not require security cover where the Counterparty has an Approved Credit Rating being, at minimum, a long term rating by Standard and Poor's or Moody's of A- or A3 respectively, or such credit status which, in the opinion of NIE, provides equivalent comfort.

### **2 Amount of Security Cover**

2.1 If a Counterparty does not have an Approved Credit Rating, it must provide security to NIE.

2.2 Except as described in paragraph 2.3 below, the security cover for all Counterparties (new and existing) must be equal to an amount, in the reasonable opinion of NIE, representing the aggregate amount payable to NIE in the period specified in the following table:

	Agreement	Period
1.	Interim Settlement Agreement	5 weeks (based on an average over such period calculated from the annual estimated ISA charges) under the relevant agreement
2.	Use of System (UOS) Agreement	5 weeks (based on an average over such period calculated from the annual estimated use of system charges) under the relevant agreement
3.	North / South Interconnector	5 weeks (based on an average over such period calculated from the annual estimated North/South

	Capacity Agreement	capacity charges) under the relevant agreement
4.	BST Agreement	5 weeks (based on an average over such period calculated from the annual estimated BST charges) under the relevant agreement.
5.	MEE Capacity and Energy Agreement	As specified in the agreement.
6.	ROF Participation Agreement	As specified in the agreement.
7.	Other Bilateral Sales Agreement	As specified in the agreement.
8.	NFF Capacity and Energy Agreement	As specified in the agreement.

- 2.3 Where the calculated amount is less than £15,000 under the relevant agreement, or £30,000 in aggregate across two or more relevant agreements, then NIE may agree that security cover will not be required.
- 2.4 NIE will review the level of security cover as it considers appropriate. For this purpose it may require a Counterparty to provide information on projected business activity or customer demand. NIE will inform a Counterparty where an adjustment is required. The Counterparty will be given 5 business days to have the amended level of security in place.
- 2.5 Where any Counterparty exceeds the credit terms on invoices twice in a 6 month period, it will be required to increase its level of security to an amount, in the reasonable opinion of NIE, representing:
1. where a 5 weeks calculation is applied under paragraph 2.2 above, an amount being twice the original figure; or
  2. in any other case, the original amount applied under the agreement plus such additional amount as is provided for under the relevant agreement.
- 2.6 If a Counterparty believes that the level of security cover provided is excessive, because the level of payments it makes in respect of the relevant agreement has decreased, then it can apply for a reduction in the level of security cover. The relevant NIE business will review the request and within 1 month of the date of application, subject to verification of the change in circumstances, seek to agree the appropriate level of security cover required. In the event of a failure to agree, either party may refer the matter to NIAER for determination.
- 2.7 A Secured Amount Statement will show the calculation of the security cover required from the Counterparty. The form of the statement is set out in the appendix to this schedule.

### **3. Credit Cover**

NIE will accept security by way of Letter of Credit or Cash Deposit, and may at its discretion accept security in any other form. Paragraphs 4 to 6 below refer.

#### **4. Letter of Credit**

- 4.1 A Letter of Credit must be from a Bank for the amount stated in the Secured Amount Statement and must be at all times valid for a period of not less than 3 months.
- 4.2 The Bank must have an approved long term credit rating of not less than A- by Standard and Poor's or A3 by Moody's.
- 4.3 The wording of a Letter of Credit from a Bank must be approved in advance by NIE's Legal Department or, alternatively, be set out in a standard form previously approved by NIE.

#### **5. Cash Deposit**

A cash deposit must be in a bank account for the amount stated in the Secured Amount Statement and must comply with the following requirements:

- 1. The account is in the joint name of NIE and the Counterparty.
- 2. Interest on the amount deposited in the account accrues for the benefit of the Counterparty, after any deduction for any tax or bank charges.
- 3. NIE and the Counterparty have irrevocably instructed the bank to make payments against the sole signature of NIE.
- 4. The bank has agreed that the amounts deposited in the account must not be set off or otherwise applied by the bank in respect of any indebtedness of the Counterparty or any other person.
- 5. Amounts (other than interest) standing to the credit of the account will not be paid to the applicant without the prior written agreement of NIE.

The bank must have an approved long term credit rating of not less than A- by Standard and Poor's or A3 by Moody's.

#### **6. Other forms of security**

- 6.1 NIE may, at its sole discretion, agree to accept any other form of security from the Counterparty. Such credit cover must have a validity of at least 3 months. Alternative forms of security may include:
  - 1. A guarantee from an EU government/state body under which the government/state body guarantees and indemnifies NIE for any non-performance of any of their subsidiary businesses in settlement of their debts; or
  - 2. A guarantee from a parent company that achieves the credit ratings set out at 1.1 above.
- 6.2 The wording of a guarantee must be approved in advance by NIE's Legal Department prior to a final agreement. The guarantee must cover the full liability of the counterparty under the relevant agreement.

- 6.3 The strength of the guarantee given must be reviewed by NIE's Legal Department to ascertain its legal validity. This may involve obtaining a legal opinion on the validity of the guarantee in the legal jurisdiction of the parent/ state body if NIE's Legal Department is not satisfied as to the effectiveness of the guarantee. If a further legal opinion is required it will be obtained by NIE and the cost will be passed onto the provider of the guarantee.

## **APPENDIX**

### **Secured Amount Statement : Example**

Counterparty :

Date Information Supplied by Counterparty :

Date security level must be provided to Counterparty :

**T&D UoS Charges**

Estimated Customer  
Numbers

Unit Sales GWh	Estimated UOS Charges £'000
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Annual use of system \_\_\_\_\_

Average for 5 Weeks' based  
on annual figure \_\_\_\_\_

**North/South Interconnector Charges**

Unit Sales GWh	Estimated Charges £'000
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Annual use of system \_\_\_\_\_

Average for 5 Weeks' based  
on annual figure \_\_\_\_\_