



logicaEPFAL

Funds Administration Agent

**“Credit Policy in
NETA”**

logica



EPFAL

Energy Pool Funds Administration Ltd

**Formed
1990**

Became Logica Subsidiary in February 2001





The Role of EPFAL in NETA

- Funds Administration Agent (FAA)
- Billing
- Payment
- Credit Policy



NETA Credit Policy

- 100% Securitisation
- Cash
- Letter of Credit



Letters of Credit

- Standby Letters of Credit Subject to ICC Publication 98
- ^{or UCP500} Standard wording as specified in the BSC (Annex M-1)
- Certain criteria as set out in the BSC (Section M 2.2)



How is the value of credit cover set?

- The company's desire to trade
- 29 day trading period
- MWhr / GB£ [€]
- Criteria as in BSC (Section M)



Calculating credit cover

- Credit Assessment Price (CAP) -avoid price spikes
- $CAP = £25 + VAT = £29.38$ (Section M1.4)
- Example: 1,000 MWh per day for 29 day trading period
- $1,000 \text{ MWh} * 29 = 29,000 \text{ MWh}$
- $29,000 * £29.38 = £852,020$
- $£852,020 =$ required credit cover
- Vice Versa



Credit Policy in the BSC

- Section M of BSC
- Equitable for all trading parties
 - Credit Default - Levels 1 & 2 (Section M 3.2/3.3)
 - Credit Cover increase
 - Credit cover reduction - Minimum Eligible Amount



Calling on Security

- When will any security held be used?
- Non Payment as detailed in the BSC (Section N-
- How is this security called upon?
- Time-scales involved



Borrowing Facility

- Used as an interim emergency fund to cover:
- Proven & Rectifiable Payment / Banking errors
- Timing differences between calling and receipt of collateral



The Future of NETA credit poli

- Constantly reviewed
- Changes suggested by trading parties
- Consultation Process
- Modifications / Release 2
- Relaxing 100% securitisation rule ?



The Future of NETA credit policy

- Modification Proposal P002
- Approval from the Authority
 - Current arrangement
 - New proposal
 - Implications / Impact on BSC (Section M)
 - Benefits ?



Contacts Details

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