

## Transmission Operators' ("TOs") Covid-19 Optional Transmission Network Use of System Charges Extended Payment Terms Scheme (the "Scheme")

### Background

We appreciate that these are concerning and difficult times for consumers and everyone in our industry. In conjunction with the Energy Networks Association (the "ENA") and Ofgem, National Grid ESO (NGESO), National Grid Electricity Transmission (NGET) and Scottish Hydro Electricity Transmission (SHET), have been working to develop the Scheme to provide temporary relief to cashflow constrained electricity suppliers in a way that is financially viable for TOs to deliver and feasible for NGESO to implement.

The Scheme is intended to assist in managing the impact of COVID-19 on the energy market by introducing the option of extended terms for the payment of Transmission Network Use of System Charges (as defined in the CUSC) by electricity suppliers. Use of the scheme should be considered as a last resort and it is expected suppliers first seek to access commercial loans or the Government's and Bank of England's financial support facilities, which include the COVID Corporate Financing Facility (CCFF), Coronavirus Business Interruption Loan Scheme (CBILS) and the Coronavirus Large Business Interruption Loan Scheme (CLBILS).

National Grid ESO expects that electricity suppliers will use their reasonable endeavours to participate in the Scheme, should they choose to do so, in a manner that is even and proportionate to the use of the DNO Scheme, including in circumstances such as where they choose to make payments that are in addition to those required by the Scheme.

Accordingly, NGESO, NGET and SHET:

- a) Are introducing the Scheme In line with Ofgem's Open Letter to the industry dated 2 June 2020; and
- b) Reserve the right to withdraw the Scheme if, at any time, the scheme cap of £69m (incl. VAT) is reached.

### Who can make use of the Scheme?

Step 1 – Eligibility	
You will be eligible if <b>all</b> the following criteria are met:	
i.	You are a licensed electricity supplier and are a party to the CUSC;
ii.	You currently receive and pay invoices in respect of Transmission Network Use of System Charges under Section 16.6 of the CUSC;
iii.	You are liable for invoices for Use of System Charges, which NGESO will issue dated between 1 July 2020 and 1 September 2020 (inclusive); and
iv.	You have paid in full all invoices for Use of System Charges, which NGESO issued to you on or before 1 June 2020. In addition, your TNUoS demand reconciliation should be paid by the 30 <sup>th</sup> July in line with normal payment terms, if payment is not received by 30 <sup>th</sup> July

	you will not be considered eligible for deferral of the August and September TNUoS invoices.
<b>If your company meets all of the above criteria, you may be eligible to apply for the Scheme depending on your company's credit assessment rating as set out in Step 2.</b>	

### Step 2 – Qualification

You will only qualify to participate in the Scheme if **all of** the following criteria are met:

i.	Your company <b>does not</b> currently hold an issuer investment grade credit rating from Moody's (Baa3 or higher) or Standard and Poor's (BBB- or higher) credit rating agencies; and
ii.	<b>If you are part of a group neither your company nor any member of your corporate group holds an issuer investment grade credit rating from Moody's (Baa3 or higher) or Standard and Poor's (BBB- or higher) credit rating agencies.</b>
iii.	<b>You self-certify that their companies will not pay dividends or executive bonuses until deferred charges plus interest are repaid in full.</b>
<b>You will be eligible to apply for the Scheme, if your company meets all of the criteria above and if you agree to the Principal Terms set out in Step 3.</b>	

### Step 3 – Principal Terms of the Scheme

You should be aware of and you agree to the following pre-conditions prior to submitting an application to join the Scheme.

i.	You must apply to join the Scheme at least seven days before the date on which payment is due in respect of the first invoice to which you wish the Scheme to apply. Application to the scheme will end by 9 <sup>th</sup> September 2020. (e.g. Application must be made by 8 <sup>th</sup> July for the first invoice)
ii.	If your application is accepted, the Scheme will apply to invoices between 1 July and 1 September for Transmission Use of System Charges issued for Half Hourly and Non-Half Hourly charges.
iii.	You must make a minimum payment of 25% against each invoice, within 14 days from the date on which the relevant invoice is dated. The remaining balance will then qualify for the extended payment terms offered by the Scheme. Please note that; the 25% payment must also include the VAT liability on the 25% charge. <ul style="list-style-type: none"> <li>a) <b>Please note that you are not limited to making only the minimum payment of 25%. The 25% payment must also include the VAT liability on the 25% charge. If you choose to pay more than the minimum plus VAT, you will be free to do so.</b> NGESO will re-calculate and confirm the interest payment accordingly.</li> <li>b) <b>In making your minimum payment against each invoice (or more if you choose), it is important that you confirm each month, for each invoice, how much you intend to pay to ensure your payment is applied to the correct invoice.</b></li> <li>c) <b>If you wish to make monthly payments that are greater than those set out in the payment schedule noted in Step 5 iii below or pay off the total amount outstanding earlier than 15 March 2021, you may wish do so.</b></li> </ul>
iv.	Interest will accrue daily at a rate per annum equal to the Default Interest Rate (as defined in the CUSC), i.e. at the rate of 8.0% above the Bank of England base interest rate, from

	the 15th day following the date of issue of the relevant invoice and will be applied daily until the outstanding balance under that invoice is paid.
v.	You will be required to make six equal monthly payments (including any accrued interest) between October 2020 and March 2021. The first payment will be due by 15 October 2020 and the final payment will be due by 15 March 2021. NGESO will issue a payment schedule to you by 30 September confirming the expected payment profile including additional interest charges.
vi.	The amounts due and in respect of which extended payment terms will be made available under the Scheme will be capped at £3.90m (incl. VAT) per company over the specified three months of invoicing to which the Scheme applies.
vii.	Failure to comply with any of the requirements of the Scheme will result in you not being eligible to continue in the Scheme.
viii	The information you provide as a result of you being part of the Scheme will be shared (a) between the ENA and NGESO to ensure the terms of the Scheme are satisfied and you continue to be eligible to remain in the Scheme and (b) with Ofgem for regulatory purposes.
ix.	The use of this scheme will not require any additional security for any outstanding payments, and it will not affect a supplier's payment history allowance (PHA).
<b>If your company meets all of the criteria set out in Steps 1 and 2 and agrees to the Principal Terms set out in Step 3, you may now apply to be considered for the Scheme.</b>	

#### Step 4 – Making an Application

The ENA will act as the central coordinator of the Scheme to ensure that electricity suppliers wishing to join the Scheme have met all of the qualifying criteria.

Consequently, if you wish to extend the terms for payment of invoices for Use of System Charges, you will need to submit a completed application to the ENA. Please note that **each electricity supplier must submit a separate, completed application**. Consequently, applications **cannot be made** on the basis of one application per corporate group. The standard application form is available on the ENA website at <https://www.energynetworks.org/electricity/regulation/supplier-credit.html>.

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| i.  | If you have any trouble completing your application or need any points clarified, please email the ENA at <a href="mailto:suppliercredit@energynetworks.org">suppliercredit@energynetworks.org</a> with details of your enquiry, contact name and contact details and someone will get back to you within 2 working days.   |
| ii. | You should complete your application online at <a href="https://www.energynetworks.org/electricity/regulation/supplier-credit.html">https://www.energynetworks.org/electricity/regulation/supplier-credit.html</a> and, before submitting it, please ensure that it is signed electronically by a Director of your company. |

**Subject to any issues with your application being addressed appropriately, the ENA will confirm your eligibility and participation in the Scheme within 3 working days from receipt of your application.**

**Step 5 – Successful Applicants**

If we have confirmed eligibility and enrolled you in the Scheme:

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| i.   | On receipt of the minimum 25% payment against each invoice dated between 1 July 2020 and 1 September 2020 (inclusive), the time allowed for making the balance of payment for that particular invoice will be extended. <b>It is important to note</b> that failure to make the minimum payment of 25% within 14 days of the relevant invoice date will result in you not being eligible to continue in the Scheme.   |
| ii.  | At the end of the period of three months of invoicing to which the Scheme applies (i.e. invoices dated between 1 July 2020 and 1 September 2020 inclusive), all qualifying balances, which are outstanding and to which the extended payment terms apply, will be consolidated into a single sum and a payment schedule calculated for you. This will include an estimate of daily interest charges being incurred on the first charges being deferred until repayment is expected to be made. The repayment installments will be due on the same date as the normal TNUoS monthly payments (i.e. generally the 15 <sup>th</sup> of the month). |
| iii. | You will be notified by NGESO of your payment schedule by email, which will include the monthly amount you are required to pay and the dates by which each of those payments must be made.  |
| iv.  | If you fail to make any of your monthly payments in full and on time, you will be withdrawn from the Scheme and your total outstanding balance plus interest will become due immediately, in full, and result in the normal debt follow-up procedure taking place and ongoing late interest charges until payment is made.  |
| v.   | If you have a Direct Debit set up for making payments, this will be turned off for the duration of the scheme being the first partially deferred invoice until all deferred amounts are paid in full. Therefore, all payments will need to be paid using alternatives methods set out on your TNUoS invoice.  |

**You will be required to pay in full all invoices dated after 1 September 2020 and going forward in accordance with the normal 14-day CUSC payment terms.**

**Step 6 – Scheme Closure**

After we receive your final scheduled monthly payment:

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| i.   | Your account will be checked and reconciled for differences. Any differences (credits or debits) due as result of changes in base lending rate or payments arriving early from you will be calculated and notified to you. |
| ii.  | Any over-payments will be credited, and any under-payments will be invoiced by the end of April 2021. Interest will not be applied to this reconciliation amount.  |
| iii. | Your direct debit will be enabled to collect future TNUoS invoices.  |

**The Scheme ends on 31 March 2021**