

DCP 413 - Value of a User's Credit Allowance in Schedule 1

Draft Legal Text

Amend paragraphs 2.3-2.12 of Schedule 1 (Cover) as follows:

The User's Credit Allowance

- 2.3 If the User has requested that the Company uses an Independent Credit Assessment as described in Paragraphs 2.6, then the User's Credit Allowance will be determined by reference to its Independent Credit Assessment. If the User has not requested that the Company uses an Independent Credit Assessment, then tThe User's Credit Allowance (CA here below) shall be calculated according to the following formula:

$$CA = RAV \times 2\% \times CAF$$

where:

RAV is calculated for each Regulatory Year in accordance with the formula set out below (or, where no price control financial model is published in relation to the Company, shall be a value to be determined by the Authority as a suitable replacement following consultation with the Company):

$$RAV = RAV_{2012-13} \times RPI$$

where:

$RAV_{2012-13}$ = the Company's *Opening asset value (after transfers)* for the Regulatory Year prior to that in which RAV is effective from the *SavedResults* worksheet of the price control financial model published by the Authority following the annual iteration process in the previous Regulatory Year, in 2012-13 prices; and

$$RPI = RPI_{n-1} / RPI_{2012-13}$$

where:

$RPI_{2012-13}$ = 244.675 (the arithmetic average of the Office of National Statistics All Items Retail Prices Index (CHAW Series) published or

determined with respect to each of the twelve months from 1 April 2012 to 31 March 2013); and

RPI_{n-1} = the arithmetic average of the Office of National Statistics All Items Retail Prices Index (CHAW Series) published or determined with respect to the months of December and January most recently preceding the start of the Regulatory Year in which RAV is effective; and

CAF is the Credit Allowance Factor (which is to be expressed as a percentage determined pursuant to Paragraph 2.4 or 2.5).

- 2.4 Where the User has a Credit Rating from an Approved Credit Referencing Agency that is Ba3/BB– or above, CAF shall be determined according to the following table. For the purposes of this Schedule, and subject to evidence to the contrary, all IDNO Parties shall be deemed to have a rating of Baa3 / BBB–.

Credit Rating		CAF (%)
Moody's	Standard and Poor's	
Aaa to Aa2	AAA to AA	100
Aa3 to A3	AA– to A–	40
Baa1	BBB+	20
Baa2	BBB	19
Baa3	BBB–	18
Ba1	BB+	17
Ba2	BB	16
Ba3	BB–	15

- 2.5 Where the User does not have a Credit Rating from an Approved Credit Referencing Agency that is Ba3 / BB– or above, CAF shall ~~be determined as follows: (a) where there is, at the time of such determination, an Independent Credit Assessment that was carried out within the preceding 12 months and the User has not requested that the Company use the User's Payment Record Factor, CAF shall be determined by reference to the Independent Credit Assessment procured pursuant to Paragraph 2.7 and in accordance with the table set out at Paragraph 2.10;~~

~~or (b) where the User has requested that the Company use the User's Payment Record Factor or there is not, at the time of such determination, an Independent Credit Assessment that was carried out within the preceding 12 months, CAF shall~~ equal the Payment Record Factor (which shall be determined in accordance with the provisions of Paragraphs 2.12 to 2.14).

Credit Assessment Score

- 2.6 For the purposes of determining a User's Credit Allowance~~CAF pursuant to Paragraph 2.5(a)~~, the User may, once a year, request that the Company obtain an Independent Credit Assessment from a Recognised Credit Assessment Agency chosen by the User.
- 2.7 As soon as reasonably practicable following such request (or within such other period as the Company and the User may agree), the Company shall procure from that Recognised Credit Assessment Agency (and shall provide to the User) a credit assessment of the User. Where a Recognised Credit Assessment Agency offers more than one credit assessment product, the Company shall procure an assessment on the basis of the product that the Company and the User agree (each acting reasonably) provides the most appropriate assessment of the creditworthiness of the User when all factors are taken into consideration.
- 2.8 For each User which makes a request under Paragraph 2.6 or 2.11, the Company shall set the User's Credit Allowance at the value recommended in the Independent Credit Assessment obtained in respect of that User under Paragraph 2.7.~~Where the Recognised Credit Assessment Agency that is used is listed in the table below, and it undertakes an assessment on the basis of one of its credit assessment products listed below, the results of such assessment will give rise to the corresponding Credit Assessment Score set out below:~~

Credit Assessment Score	Equivalence of the Credit Assessment Score to credit scores provided by Recognised Credit Assessment Agencies in their Independent Credit Assessments.				
	Check It (ICC)	Dunn & Bradstreet / N2 Check	Equifax	Experian	Graydons
-	Credit Score Report	Comprehensive Report	-	Bronze, Silver or Gold Report	Level 1, Level 2, or Level 3 Report
10	95-100	5A1+	A+	95-100	1A

9	90-94	5A2/4A1	A/A-	90-94	1B/2A
8	80-89	5A3/4A2/3A1	B+	80-89	1C/2B/3A
7	70-79	4A3/3A2/2A1	B/B-	70-79	2C/3B/4A
6	60-69	3A3/2A2/1A1	C+	60-69	3C/4B/5A
5	50-59	2A3/1A2/A1	C/C-	50-59	4C/5B/6A
4	40-49	1A3/A2/B1	D+	40-49	5C/6B/7A
3	30-39	A3/B2/C1	D/D-	30-39	6C/7B/8A
2	20-29	B3/C2/D1	E+	20-29	8B
1	10-19	C3/D2/E1	E/E-	10-19	8C
0	Below 10	Below E1	Below E-	Below 10	Below 8C

2.9 ~~Not used~~ Where the Recognised Credit Assessment Agency that is used is not listed in Paragraph 2.8 (or where the credit assessment product is not listed in Paragraph 2.8), the Company shall (acting reasonably) determine the applicable Credit Assessment Score on an equivalent basis to that set out in Paragraph 2.8.

2.10 ~~Not used~~ Where the value of CAF is to be determined in accordance with Paragraph 2.5(a), the value of CAF shall be that which corresponds in the following table to the Credit Assessment Score set out below.

Credit Assessment Score	CAF (%)
10	20
9	19
8	18
7	17
6	16.66
5	15
4	13.33
3	10
2	7
1	3.33
0	0

Additional Credit Assessment

- 2.11 During the 12-month period following completion of an annual Independent Credit Assessment pursuant to Paragraph 2.6, the User may request that the Company procure further Independent Credit Assessments for the purpose of requiring the Company to recalculate the User's Credit Allowance. Where the User so requests, Paragraphs 2.7 ~~and to 2.8-10~~ shall apply (provided that, where the Company so requests, the User shall pay the Company's reasonable costs in procuring such Independent Credit Assessments).

Payment Record Factor

- 2.12 Where the User's Payment Record Factor is to be used to determine the Credit Allowance Factor in accordance with Paragraph 2.5~~(b)~~, the Credit Allowance Factor shall equal the value of the Payment Record Factor determined in accordance with Paragraphs 2.13 to 2.15.

Amend the following definitions in paragraph 10 of Schedule 1 (Cover) as follows:

Credit Assessment Score means ~~a Credit Assessment Score as determined pursuant to Paragraph 2.8 or 2.9.~~

Independent Credit Assessment means a credit assessment of the User procured by the Company at the User's request in accordance with Paragraph 2.7 from a Recognised Credit Assessment Agency chosen by the User.

Recognised Credit Assessment Agency means Check It, Dunn & Bradstreet, Equifax, Experian and Graydon/Creditsafe~~any of the credit assessment agencies listed at Paragraph 2.8~~, or any other credit assessment agency reasonably believed by the Company and the User to be fit for the purpose of providing credit assessments pursuant to this Schedule, taking account of all the circumstances applicable to the User.