
Issue 106 Issue Group Meeting 3 Summary

Summary

1. Meeting Objectives

The Chair welcomed attendees and presented the meeting objectives:

- Objective 1: agree on one of the proposed solutions for the 'looking backwards' part of the new Credit Cover Calculation
- Objective 2: vote on the proposed solution for CAP
- Objective 3: vote on the proposed solution for Credit Default

2. Credit Cover Calculation

- 2.1 Elexon presented different options for estimating data before the meter reads are available:
- Dynamic GC/DC and/or CALF, with the alternative variation of Lead BM Units submissions
 - Estimated Trading Charges
 - Proxy for Meter Reads
- 2.2 An Issue Group (IG) member noted that any solution too dynamic would need Parties to be able to react accordingly and put in place a cash intense approach to Credit Cover.
- 2.3 It was also noted that some solutions rely on price averages, which does not respond well to shocks. Therefore, there is need for a buffer to respond to shocks and reduce the risk of mutualisation.
- 2.4 The IG requested Elexon to work on a cost/benefits analysis of the proposed solutions
- 2.5 Then the IG voted to express which option should be explore further. The results are in Annex 1.

3. Credit Assessment Price (CAP)

- 3.1 Elexon presented a solution to make CAP an automated process, based on the past average system prices, going back X number of days.
- 3.2 A Credit Committee member noted that the solution would remove the 'looking forward' aspect of the Alternative CAP process, and that would generate a greater risk of mutualisation due to more volatility.
- 3.3 A Credit Committee member noted having the Credit Committee was still important as it gives a good indication to rest of market of price volatility using forward market prices, and the 3 week consultation period is important to give early notice of CAP change.
- 3.4 Then the IG voted to express if Elexon should explore this solution further. The results are in Annex 1.

4. Credit Default Proposal

- 4.1 Elexon presented a solution that would delay the refusal of any new ECVN's& MVRN's which is submitted during the Credit Default Refusal Period by a further 90 minutes (3 Settlement Periods). In addition, the rejection of any upcoming previously accepted ECVN's& MVRN's which falls within the Credit Default Rejection Period would be delayed by a further 30 minutes (1 Settlement Periods) from the current process.
- 4.2 By delaying the refusal/rejection period, the solution reduces the impact to counterparties as allows time to take action and cover their position with any Party that is currently in Default.
- 4.3 Since this creates the possibility for the defaulting Party to continue acquiring debt, an IG member asked Elexon to analyse past cases and quantified the risk that the solution poses. The analysis should look at the risk of a potential increase on mutualisation, against the benefit for counterparties to cover their positions.
- 4.4 Then Elexon presented the possibility of removing the Cure Period, keeping in place the 24 Hour Query Period. This would simplify the process and help Parties to understand better their Credit position.

- 4.5 The IG reacted positively but an IG member asked Elexon to review the past Modification that implemented the Cure Period.
- 4.6 The IG voted for both proposed solutions. The results are in Annex 1.

Actions

No.	Action	Owner
1.	Analyse the cost/benefit of the preferred proposed solution for the 'looking backwards' part of the new Credit Cover Calculation	Elexon
2.	Analyse and create 'scenario-based' cases for the Credit Default Proposal	Elexon
3.	Review the Modification that implemented the Cure Period	Elexon

Annex 1 – Responses to the different Polls

1. Do you agree with the Dynamic CALF, GC/DC solution?

Yes	No	Neutral/No Comment
6	-	6

2. Do you prefer the alternative variation of Lead BM Units submitting a value for each period?

Yes	No	Neutral/No Comment
-	5	6

3. Do you agree with the proposed solution of using estimated Trading Charges?

Yes	No	Neutral/No Comment
5	3	4

4. Do you prefer the alternative proposed solution of using a proxy for Meter Reads to using an Average of Trading Charges?

Yes	No	Neutral/No Comment
5	-	2

5. Do you prefer the alternative proposed solution of using a proxy for Meter Reads by transferring existing issues but only one Calendar Day or by relying on Agents submitting estimates daily to ECVAA?

Transferring existing issues but only one Calendar Day	Agents submitting estimates daily to ECVAA
6	1

6. Which of the presented option shall we put forward?

Dynamic CALF/GC/DC	Lead BM Units	Estimated Trading Charges	Proxy for Meter Reads
2	0	0	5

7. Which of the presented options shall we rule out?

Dynamic CALF/GC/DC	Lead BM Units	Estimated Trading Charges	Proxy for Meter Reads
0	6	2	0

8. Do you agree with the proposed CAP solution?

Yes	No	Neutral/No Comment
-	8	4

9. Do you agree with the Credit Default proposal of changing the Refusal/Rejection Period of ECVNs/MVRNs?

Yes	No	Neutral/No Comment
3	-	7

10. Do you agree with the Credit Default proposal of removing the Cure Period?

Yes	No	Neutral/No Comment
8	1	-