

MINUTES

MEETING NAME	Credit Committee
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Meeting number	40
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Date of meeting	24 June 2019
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Venue	ELEXON Ltd, 350 Euston Road, London NW1 3AW
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Classification	Public
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ATTENDEES AND APOLOGIES

Attendees	Michael Gibbons	MG	Chairman (teleconference)
	Lisa Waters	LW	Member (teleconference)
	Stuart Cotten	SC	Member (teleconference)
	Andrew Colley	AC	Member (teleconference)
	Robert Johnson	RJ	Member (teleconference)
	Nick Baker	NB	ELEXON
	Sabina Bham	SB	ELEXON
	Yannis Kalligeros	YK	ELEXON

INTRODUCTION

1. Credit Committee

1.1 Introduction were made and all attendees were confirmed.

DECISION PAPER

2. Review of the Credit Assessment Price (CAP) – CC40/01

- 2.1. ELEXON presented the CAP Review paper to the Credit Committee. The reference price on 10 June 2019 was £41.14/MWh, and so breached the lower CAP review trigger level of £42/MWh (current CAP value is £48/MWh, +/- £6/MWh trigger level).
- 2.2. ELEXON issued a consultation to industry on 10 June 2019, proposing a new CAP value of £41/MWh. Credit Committee members and some consultation respondents disagreed with the proposed CAP value, and therefore a Credit Committee meeting was held.
- 2.3. The Credit Committee was invited to determine whether the CAP value should be revised. A new CAP value must come into effect no sooner than the 15th Business Day after the notification to industry. Therefore, the earliest day the new CAP could become effective is Tuesday 16 July 2019.
- 2.4. The Credit Committee discussed the trends in the reference price, and the trend seen in forward market prices. The proposed CAP of £41/MWh was deemed unsuitable based on the estimated Reference Price on the implementation date being higher than the date of breach. Also, taking in consideration of the implementation will have a new month added to include August and September forward prices.

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- 2.5. The Credit Committee discussed values for the CAP between £42/MWh and £45/MWh. These values were based on the latest reference price data provided in CC40/01, the projected reference price around the proposed implementation date as well as consultation respondents. The Credit Committee agreed to try and set a CAP which would not immediately be breached again, in order to provide stability for BSC Parties.
- 2.6. After the latest pricing data and all views were taken into consideration, the Credit Committee unanimously voted for the new CAP value of £43/MWh, effective from 16 July 2019.
- 2.7. ELEXON also invited the Credit Committee to review the CAP trigger level, currently set to +/- £6/MWh. Initially Credit Committee discussed to have the trigger level to be kept the same, but discussed whether a lower trigger level was more appropriate based on the decision to decrease the CAP to £43/MWh. After discussion, the Credit Committee unanimously agreed this should be decrease to +/- £5/MWh.
- 2.8. The Credit Committee:
- a) **NOTED** the content of the paper;
 - b) **APPROVED** an alternate CAP value, in light of more recent market data and the potential implementation date, of £43/MWh;
 - c) **AGREED** a new trigger level value of +/- £5/MWh; and
 - d) **CONFIRMED** that the new CAP value will go live on Tuesday 16 July 2019.

INFORMATION PAPER

3. CAP Review Process Suggestions – CC40/02

- 3.1. ELEXON presented the CAP Review Process Suggestions to the Credit Committee. This included analysis on the consulted on proposed CAP, the Reference Price and the implementation (Effective From) date of any new CAP value for the last two years.
- 3.2. ELEXON highlighted in its analysis, that Credit Committee meetings tend to be held, due to disagreement by Credit Committee Members or industry, when there is a larger differences in the values between the Reference Price on the CAP breach date and the estimated Reference Price at the implementation date.
- 3.3. Since 2017, excluding the current breach, there has been no disagreement from the industry on the consulted on CAP value. The current breach had four responses from industry, two which agreed with the consulted on CAP value of £41/MWh and two which disagreed.
- 3.4. The Credit Committee agreed that the text in the CAP Review Guidance document regarding ELEXON setting a new CAP value for consultation “based on the latest reference price, and its potential implementation date” could be interpreted in different ways. The Committee agreed that the price for consultation should be based on reference price at the potential implementation date, not the breach date. Based on these discussions, ELEXON will be propose to the Panel the following change to the [CAP Review Guidance](#) document:
- Estimate the proposed CAP using the reference price on the day of implementation, rather than breach date
- Action 40/01**
- 3.5. ELEXON confirmed it would look into the necessary steps, which need to be taken for changes discussed by the Committee to be incorporated in the CAP Review Process. It would seek to clarify the scope of changes which could be made based on consultation to industry and outside of the Modification process.

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- 3.6 The Credit Committee also discussed the idea of automating the CAP setting process by having a new CAP implemented every month. This would reflect the change in the two months of forward prices being used in the reference price calculation. A reference price breach of the CAP often occurs when the months used in the reference price calculation change. The Committee saw some benefits to this proposal but were cautious on the impact this could have, including the CAP changing on a more regular basis.
- 3.7 The Credit Committee also discussed what could be done to further improve the CAP Review Process and gave ELEXON input for a CAP Review to be taken to the BSC Panel at a later date. This included discussing how the trigger level is set and the frequency in which it has been set in the past. Credit Committee Members have in previous meeting discussed the idea of the trigger level being roughly 10% of a CAP value. ELEXON will propose ideas in its review to Panel on how this could be done.
- 3.8 The Committee asked ELEXON to obtain opinions from stakeholders on the CAP Review Process prior to delivering the review to the BSC Panel.

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- 3.9 The Credit Committee:
- a) **NOTED** the analysis presented in the paper; and
 - b) **DISCUSSED** the areas of potential improvements in the CAP Review Process, and provided suggestions which should be considered by ELEXON as part of any review for the BSC Panel.