

Minutes

Credit Committee 41

Meeting number **CC41**

Venue **Online meeting (MS Teams)**

Date of meeting **06 January 2021**

Classification **Public**

Attendees and apologies

Attendees

Andrew Colley	AC	Member
Lisa Waters	LW	Member
Mehdi Jafari	MJ	Elexon
Michael Gibbons	MG	Chair
Nick Baker	NB	Elexon
Robert Johnston	RJ	Member

Apologies

Stuart Cotten	SC	Member
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Summary

The Credit Assessment Price (CAP) upper trigger level of £62/MWh (£6/MWh above the last implemented CAP value of £56/MWh) was breached on Monday 21 Dec 2020. Following consultation on a proposed value of £60/MWh, Credit Committee Members disagreed with the suggested value based on the latest forward market data.

The Credit Committee decided that on Wednesday 27 January 2021 the CAP will increase to £62/MWh, from the current value of £56/MWh.

Introduction

1. Credit Committee

- 1.1 Introductions were made and all attendees were confirmed.
- 1.2 Credit Committee discussed the membership of Stuart Cotten. Elexon will follow up to confirm his membership and clarify whether new member(s) should join the Committee.

Credit Committee Decision

2. Review of the Credit Assessment Price (CAP)

- 2.1 Elexon presented the CAP Review analysis result to the Credit Committee. The reference price on 21 December 2020 was £64.66/MWh, and so breached the upper CAP review trigger level of £62/MWh (current CAP value is £56/MWh, +/- £6/MWh trigger level).

- 2.2 Elexon issued a consultation to industry on 21 December 2020, proposing a new CAP value of £60/MWh. No responses from Industry were received. Credit Committee members were not in agreement on the proposed CAP value and therefore, a Credit Committee meeting was held on 6 January 2021.
- 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 Wednesday 27 January 2021.
- 2.4 The Credit Committee discussed the recent significant increase in the reference price, and the upward trend seen in forward market prices for February, March and April 2021. The forward market prices increased from £60.44/MWh to £66.37/MWh for Feb/Mar and from £54.20/MWh to £59.06/MWh for Mar/Apr over the consultation period. As a result, the proposed CAP of £60/MWh was deemed unsuitable.
- 2.5 The Credit Committee discussed values for the CAP between £61/MWh and £62/MWh. These values were based on the latest data provided, the concerns to avoid a potential breach in the near future, and the projected reference price around the proposed implementation date. 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 £62/MWh, effective from 27 January 2021.
- 2.7 Elexon will continue to monitor the reference price and, will keep the Credit Committee updated, particularly in relation to any breach occurring before the above mentioned implementation date. Considering lower forward market prices for Mar/Apr than for Feb/Mar, the Credit Committee expressed their reluctance to consult the industry about a higher new CAP, in case of breach of upper trigger level before the implementation date.

3. **The Credit Committee:**

- 3.1 **NOTED** the analysis provided;
- 3.2 **APPROVED** an alternate CAP value, in light of more recent market data, near future trends, and the potential implementation date, of £62/MWh;
- 3.3 **CONFIRMED** that the new CAP value will go live on Wednesday 27 January 2021.