
CC42/01 - Review of the Credit Assessment Price

Credit Committee

Date of meeting **1 February 2021**

Paper number **CC42/01**

Owner/author **Mehdi Jafari**

Purpose of paper **Decision**

Classification **Public**

Document version **v1.0**

Summary The Credit Assessment Price (CAP) upper trigger level of £68/MWh (£6/MWh above the last notified CAP value of £62/MWh) was breached on Monday 18 January 2021. Following consultation on a proposed value of £64/MWh, all responses and Credit Committee members were not in agreement with the proposed value.

We therefore invite the Credit Committee to decide whether a new CAP, which would become effective no earlier than Tuesday 23 February 2021, should be set.

1. Background

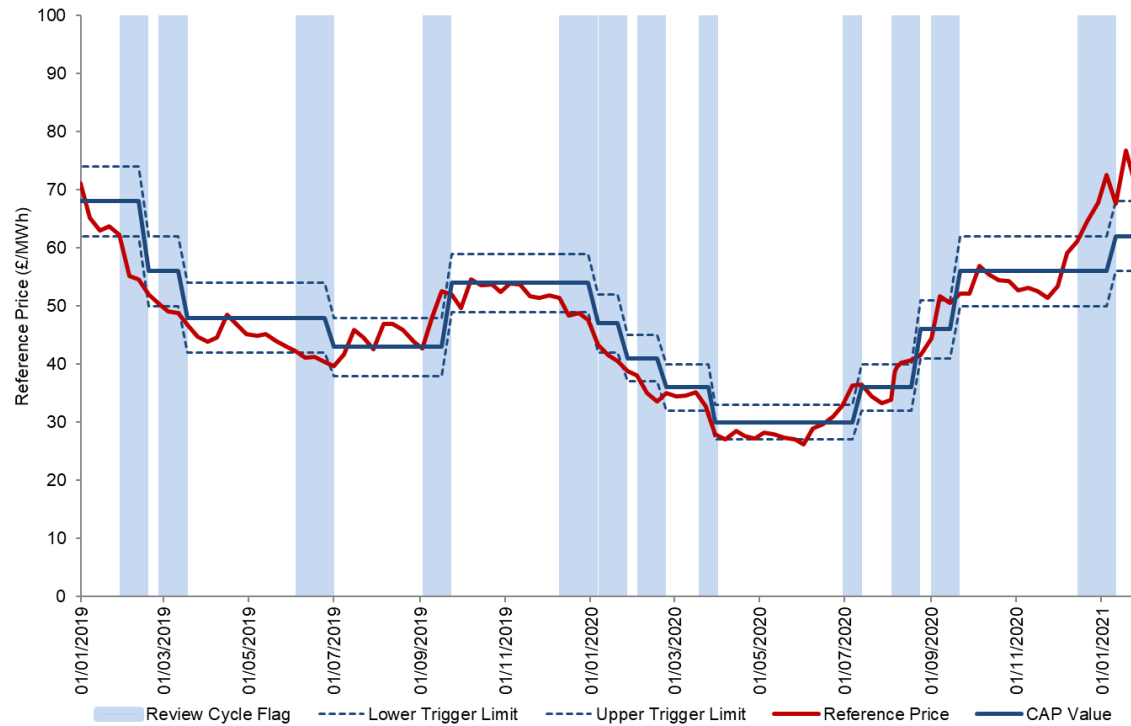
- 1.1 The last notified value of the Credit Assessment Price (CAP) is £62/MWh. Each week, Elexon compare this against a reference price, based on forward market price data. If the difference exceeds the trigger level (currently +/- £6/MWh), Elexon initiates a review of the CAP value. The CAP was last reviewed in early January 2021, with a new value of £62/MWh notified to the Parties on 6 January, and effective from 27 January 2021. The trigger monitoring process using £62/MWh CAP had resumed on 11 January 2021.
- 1.2 On Monday 18 January 2021, the reference price was £76.73/MWh, breaching the upper trigger level of the latest agreed CAP by £8.73/MWh.
- 1.3 Based on March and April forward market prices on the consultation day, the 5-day average price was £63.60/MWh. This was an estimate of what the reference price would be on the implementation day in February, and used to set the proposed value in the consultation. This has now fallen to £61.69/MWh.
- 1.4 Following the breach on Monday 18 January 2021, a proposed CAP value of £64/MWh was sent out to industry for consultation. The consultation ended on Tuesday 26 January 2021. All responses and Credit Committee members were not in agreement with the proposed value.
- 1.5 We invite the Credit Committee to determine whether the CAP should be revised and, if so, to determine the new value and its implementation date. If a decision is made to change the CAP, it would be effective no earlier than 23 February 2021, 15 Working Days after the Credit Committee's decision and notification to BSC Parties.

2. Recent pricing data

- 2.1 **Graph 1** shows the reference price in comparison to the CAP value, and the upper and lower limits of the trigger level, since January 2019. The areas shaded in blue on this graph indicate the periods where the CAP value was under review.
- 2.2 Since consultation day, forward prices for February and March have averaged at £63.86/MWh for baseload and £75.92/MWh for peaks. The latest reference price was £69.51/MWh on Friday 29 January 2021 (calculated using last five Working Days forward market baseload and peak data in February and March).

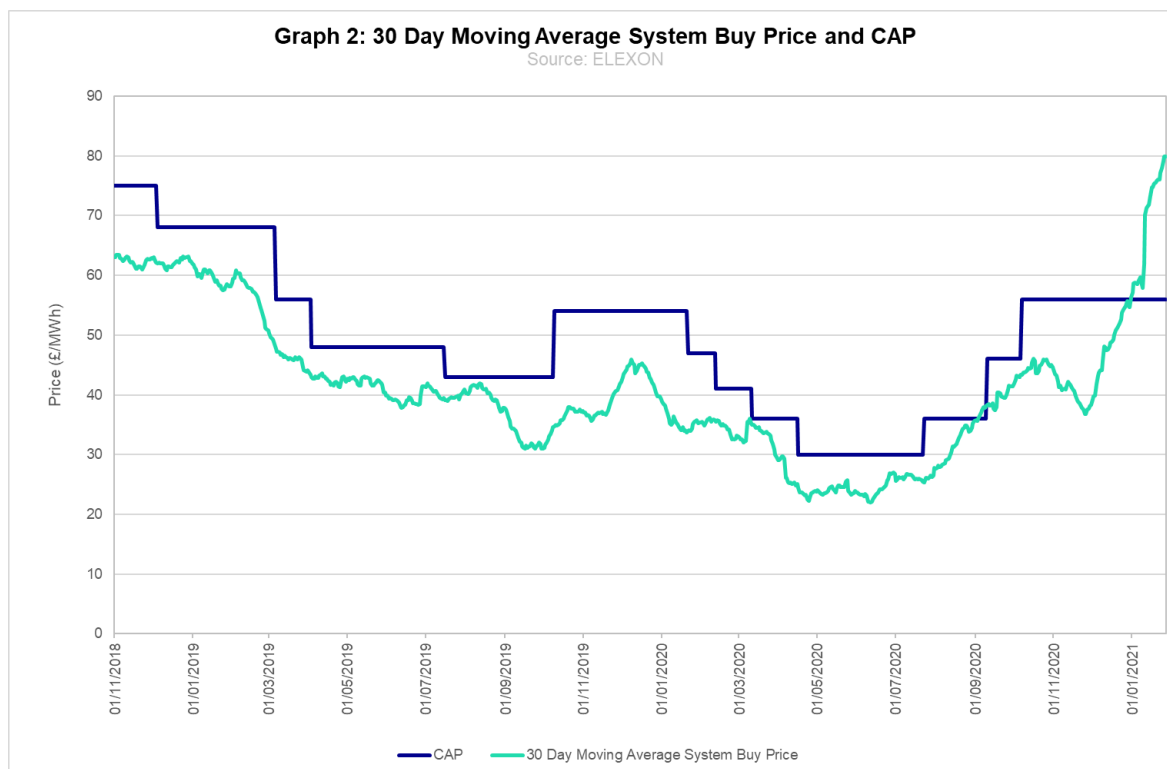
2.3 In February, forward prices for March and April prices will be used in the reference price calculation. They have averaged since consultation day at £58.29/MWh for baseload and £64.24/MWh for peaks. The projected reference price in February using March and April prices is calculated at £61.69/MWh on Friday 29 January 2021.

Graph 1: Reference Price and CAP
Source: ELEXON



Forward Prices provided by ICIS Heren

- 2.4 **Graph 2** shows the 30-day moving average of System Buy Price (SBP) and the value of the CAP. We believe that this is a good measure of accuracy, as we consider CAP to be a proxy for outturn SBP.



3. Consultation process

- 3.1 We issued a consultation on 18 January 2021 inviting Trading Parties to consider the proposal to increase the CAP to £64/MWh, based on the use of March and April forward market prices in the calculation.
- 3.2 A Credit Committee meeting will be held to discuss the CAP value. We have received no industry responses to the consultation.
- 3.3 A Credit Committee member also viewed the consulted on CAP of £64/MWh to be too low considering the forward peak prices and system cash-out prices and suggested a meeting to be held.

4. Next Steps

- 4.1 If the Credit Committee agrees on a new value of the CAP, Elexon will notify the BSC Panel, all Trading Parties, the Funds Administration Agent (FAA) and Energy Contract Volume Aggregation Agent (ECVAA) of the new value by the next Working Day following the meeting.
- 4.2 The new CAP value would be effective from no earlier than Tuesday 23 February 2021.
- 4.3 If the Credit Committee decides not to set a new CAP value the trigger monitoring process resumes on Monday 8 February 2021 with the last notified CAP of £62/MWh.

5. Recommendations

- 5.1 We invite you to:
- NOTE** the contents of this paper;
 - APPROVE**
 - The increase of the CAP value to £64/MWh, as proposed in the industry consultation; or
 - An alternative CAP value, which reflects the recent market data;
 - CONFIRM** that where revised, the new CAP value will be effective from 23 February 2021.

For more information, please contact:

Mehdi Jafari, Analyst

Mehdi.Jafari@elexon.co.uk

020 7380 4288