

Minutes

Credit Committee 42

Meeting number	CC42	Venue	Online meeting (MS Teams)
Date of meeting	01 February 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

Summary

The Credit Assessment Price (CAP) upper trigger level of £68/MWh (£6/MWh above the last implemented CAP value of £62/MWh) was breached on Monday 18 January 2021. Following consultation on a proposed value of £64/MWh, Credit Committee Members met to discuss whether a new CAP value should be set.

The Credit Committee agreed with the consulted on CAP value and decided that on Tuesday 23 February 2021 the CAP will increase to £64/MWh, from the current value of £62/MWh.

Introduction

1. Credit Committee

- 1.1 Introductions were made and all attendees were confirmed.
- 1.2 Credit Committee discussed increasing the number of its members. Elexon will do further actions in accordance with the Credit Committee's Term of Reference to call for volunteers and increase the number of Credit Committee members.

Credit Committee Decision

2. Review of the Credit Assessment Price (CAP)

- 2.1 Elexon presented the CAP Review paper to the Credit Committee. The reference price on 18 January 2020 was £76.73/MWh, and so breached the upper CAP review trigger level of £68/MWh (current CAP value is £62/MWh, +/- £6/MWh trigger level).

- 2.2 Elexon issued a consultation to industry on 18 January 2021, proposing a new CAP value of £64/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 1 February 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 Tuesday 23 February 2021.
- 2.4 The Credit Committee discussed the recent trend of the reference price, and the forward market prices for March, April, and May 2021. The forward market prices decreased from £63.60/MWh to £61.21/MWh for Mar/Apr and from £57.24/MWh to £56.62/MWh for Apr/May since the consultation day. Despite these falls and considering the relatively higher cash-out prices, the proposed CAP of £64/MWh was deemed suitable.
- 2.5 After the latest pricing data and all views were taken into consideration, the Credit Committee unanimously voted for the new CAP value of £64/MWh, effective from 23 February 2021.
- 2.6 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.
- 2.7 Considering the recent cash-out prices in the imbalance settlement mechanism, the Credit Committee expressed their concern that the current way of calculating reference price might not fully reflect the system prices. Current defined process in the Credit Assessment Price Review Guidance is based on the 5-day rolling average of Baseload and Peak forward market prices for the next two months. The Credit Committee suggested that the process should better incorporate peak prices as they seem to be reflecting the cash-out prices better. They discussed that such arrangements would provide more support for BSC Parties regarding Credit Default process. Elexon will carry out analysis in this regard using historic data and will present the analysis results to the Credit Committee for their potential recommendation to the Panel.

3. The Credit Committee:

- 3.1 **NOTED** the paper provided;
- 3.2 **APPROVED** an alternate CAP value, in light of more recent market data, cash-out prices, and the potential implementation date, of £64/MWh;
- 3.3 **CONFIRMED** that the new CAP value will go live on Tuesday 23 February 2021.