

Minutes

Credit Committee 45

Meeting number **CC45**

Venue **Online meeting (MS Teams)**

Date of meeting **14 October 2021**

Classification **Public**

Attendees and apologies

Attendees

Michael Gibbons	MG	Chair
Andrew Colley	AC	Member
Stuart Cotten	SC	Member
Mehdi Jafari	MJ	Elexon
Emma Tribe	ET	Elexon

Apologies

Robert Johnston	RJ	Member
Lisa Waters	LW	Member

Summary

The Reference Price breached the upper trigger level of £202/MWh (£18/MWh above the last notified Credit Assessment Price (CAP) of £184/MWh) on Monday 4 October 2021. Following consultation on a proposed value of £259/MWh, some industry and Credit Committee responses disagreed with the suggested value. Hence a Credit Committee meeting was held.

The Credit Committee agreed with the consulted on CAP value and decided that on Thursday 4 November 2021 the CAP will increase to £259/MWh, from the last notified CAP of £184/MWh.

Introduction

1. Credit Committee

1.1 Introductions were made and all attendees were confirmed.

Credit Committee Decision

2. Review of the Credit Assessment Price (CAP) – CC45/01

2.1 Elexon presented the CAP Review paper to the Credit Committee. On Monday 4 October 2021, the reference price was £258/MWh, breaching the upper trigger level of the latest agreed CAP by £56/MWh.

2.2 Elexon issued a consultation to industry on 4 October 2021 inviting Trading Parties to consider the proposal to increase the CAP to £259/MWh, based on the use of December and January forward market prices in the calculation. There were two industry responses to the consultation, not in agreement with the proposed CAP

value. As well as disagreement from a Credit Committee member. Therefore a Credit Committee meeting was held on 14 October 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 Thursday 4 November 2021.
- 2.4 The Credit Committee discussed how the reference price had increased since the consultation was issued, however had since been falling since 8 October. The most recent reference price based on a proposed implementation date in November was £269.08/MWh.
- 2.5 The responses to the consultations from two BSC Parties were discussed. The respondents expressed their concerns that an extreme increase in CAP would increase the financial strains on suppliers and reduce market efficiency. The Credit Committee acknowledged the concerns raised and discussed whether the CAP limiting market efficiency and efficiency was within the scope of the Credit Committee. The CC did not feel able to extend its scope and terms of reference until the Alternate Procedure had been approved.
- 2.6 The Credit Committee discussed the two options of:
 - Whether the CAP should be set higher than £259/MWh in line with the latest Reference Prices and to reduce the risk of mutualised debt, or
 - Set lower than £259/MWh to reduce the pressure on BSC Parties from increased Credit Cover requirements.
- 2.7 The Credit Committee decided that the CAP should be increased to £259/MWh from 4 November 2021. While it represented a significant increase, the latest available Reference Prices indicated that a lower CAP might not be enough to ensure that parties Credit Cover is sufficient.

3. The Credit Committee:

- **NOTED** the paper provided;
- **APPROVED** the proposed CAP value, in light of recent market conditions, future trends, and the potential implementation date, of £259/MWh;
- **CONFIRMED** that the new CAP value will go live on Thursday 4 November 2021.