

294/08 – PROPOSED CHANGES TO THE CAP REVIEW PROCESS 2019

MEETING NAME	BSC Panel Meeting
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Date of meeting	12 September 2019
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Paper number	294/08
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Owner/author	Nick Baker
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Purpose of paper	For Decision
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Classification	Public
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Summary	<p>At its August 2019 meeting, we presented to the BSC Panel two potential improvements to the Credit Assessment Price (CAP) Review Process. The proposals were to change the consulted on reference price as part of a CAP Review consultation, and for the trigger level to be automatically set. Following the meeting, the proposed changes were sent out for consultation. We invite the BSC Panel to approve the proposed changes to Credit Assessment Price (CAP) Review Guidance document, which would become effective from 1 October 2019.</p>
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1. Background information

- 1.1 The Credit Assessment Price (CAP) is a parameter defined in [Section M1.4 of the BSC](#) as 'the price it would be appropriate to use to determine the equivalent financial amount of Trading Parties' Energy Indebtedness.'
- 1.2 The BSC Panel has delegated responsibility for reviewing and determining the CAP value to the Credit Committee. The process for reviewing the CAP is set in the [Credit Assessment Price \(CAP\) Review Guidance document](#).
- 1.3 The CAP Review Process last changed in June 2017 with the introduction of not holding a Credit Committee meeting if all Credit Committee members, and consultation respondents, agreed with the proposed CAP value suggested by ELEXON. Whilst the process has been operating smoothly and efficiently since June 2017, the Credit Committee and ELEXON have highlighted changes that could improve the process further.

2. Proposed changes and consultation result

- 2.1 At the August 2019 BSC Panel meeting, we presented our [proposal](#) to improve the CAP review process by setting the CAP value for consultation based upon the reference price on the potential implementation date of the new CAP. The proposal was agreed by the Credit Committee, who suggested asking industry participants for their views.
- 2.2 ELEXON also proposed methodology to automatically set the trigger level at 10% of any new CAP value, rounded naturally to the nearest whole £.
- 2.3 Following the Panel meeting, we sent the proposal out to industry for consultation for 10 Working Days. No responses were received from industry. This is not unexpected, based on the number of CAP consultation responses received in the previous two years when the industry is in agreement with the Credit Committee. Note that if this proposal is approved, the interaction with BSC Parties on setting CAP values will not change.

3. Next steps

- 3.1 A redlined version of the [Credit Assessment Price \(CAP\) Review Guidance](#) document is included in attachment A of this paper reflecting the proposed changes. We invite the BSC Panel to approve this document, with the process becoming effective from 1 October 2019.

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4. Recommendations

4.1 We invite you to:

- a) **NOTE** that no responses were received to the consultation on the changes to the CAP Review Process; and
- b) **APPROVE** the amended version of the [Credit Assessment Price \(CAP\) Review Guidance](#) document included in Attachment A for implementation from 1 October 2019.

Attachments

Attachment A – Redlined Credit Assessment Price (CAP) Review Guidance document

For more information, please contact:

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