

Minutes

Credit Committee 49

Meeting number **CC49**

Venue **Online meeting (MS Teams)**

Date of meeting **16 December 2021**

Classification **Public**

Attendees and apologies

Attending

Michael Gibbons	MG	Chair
Diane Dowdell	DD	Member
Stuart Peel	SP	Member
Andrew Colley	AC	Member
Stuart Cotton	SC	Member
Mehdi Jafari	MJ	Elxon
Emma Tribe	ET	Elxon

Apologies

Lisa Waters	LW	Member
Robert Johnson	RJ	Member
Oliver Friedrich	OF	Member

Summary

The Credit Committee agreed to retain the alternative CAP review process and proposed a CAP value of £380/MWh for implementation on 7 January 2021. This value would go to consultation for two working days and be reviewed following the consultation period.

Introduction

1. Credit Committee

- 1.1 Introductions were made and all attendees were confirmed.

Credit Committee Decision

2. Methodology for setting Credit Assessment Prices – CC49/01

- 2.1 The Credit Committee also considered whether it was appropriate to retain the alternative CAP review process. It was noted that the latest Reference Price, based on forward market prices for December and January is £413.27/MWh. Under the normal CAP review process this would breach the upper trigger level (+/- £30/MWh) of the last notified CAP value £305/MWh. Hence, they agreed that it was still appropriate to retain the alternative CAP review process.

- 2.2 As the CAP is reviewed every two weeks, the proposed CAP will be live between 7 January 2022 and 17 January 2022 at a minimum.
- 2.3 The Credit Committee reviewed the three consultation responses to the previous CAP consultation. These consultation responses questioned whether the data that the Credit Committee has been basing its decisions on is representative of other index prices.
- 2.4 The Credit Committee have been using ICIS Heron peak and base, power price assessments as the primary information for many years to inform their decisions. The Credit Committee requested that Elexon provide more guidance be given on the primary data that has been used to inform the Credit Committee.
- 2.5 Elexon provided initial analysis that some of the higher forecast prices and higher priced Offers weren't appearing in the final System Price due to Net Imbalance Volume Tagging. Therefore the Credit Committee decided to be sceptical of whether the forecast peak prices would feed into average System Prices.
- 2.6 The Credit Committee gave greater weighting in their consideration to the latest forecast for what prices will be in January 2022. On the date of the meeting, average forward market prices were at £447/MWh for January with latest peak Prices at £537/MWh and latest base prices at £358/MWh. The large range between the peak and base prices was of concern to the Credit Committee, as was the increase from the last notified value of £305/MWh.
- 2.7 The most recent System Prices were considered, the Credit Committee noted that there was likely to be System Price spikes during period when the proposed CAP would be live.
- 2.8 The Credit Committee also considered how well the CAP had been tracking average System Prices since 1 October 2021. The two CAP's that have gone live because of the alternative CAP review arrangements have been representative of average System Prices.
- 2.9 The Credit Committee decided to propose a CAP of £380/MWh. The Credit Committee were mindful of their responsibility to ensure that the CAP will provide a representative proxy for System Prices in January 2022. They were also mindful to be sceptical of whether the higher peak prices would out turn in the System Prices.
- 2.10 The committee proposed a CAP that is closer to the latest baseload month+1 power price assessment from ICIS. They considered that if current trends continue, they will need to increase the CAP again at their next meeting.
- 2.11 The graphs below contains the data that was presented to the Credit Committee to help inform their proposal. There are six graphs, you can move between the graphs by using the arrows at the bottom. There are also options to filter the data by using the buttons on the right hand side of the graphs.
- 2.12 The Credit Committee also requested Elexon take away an action to discuss internally how an issue group could be raised to provide a more fundamental review of the Credit Cover arrangements. Key concerns were about Credit being sufficient to protect the market from supplier failure while also not being an onerous burden on market participants. More specific concerns were about a CAP that is representative of prices during a price spike settlement period and MEI not reflecting BOAs which causes credit issues for generators.
- 2.13 While the issues with credit cover are being felt more acutely now with the current unprecedented market events, the committee feel these are not one off circumstances and they could occur again/continue into summer 2022. Therefore even though any changes as a result wouldn't be in place to help participants now they could help in the future.

3. The Credit Committee:

- **NOTED** the information provided;
- **APPROVED** the proposed CAP value to be sent for a two working day consultation of £380/MWh, in light of recent market conditions, future trends, and the implementation date, of 7 January 2022;