



The different levels of Credit default

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What will we cover in this video?

- Introduction to the Credit Default process
- The different levels of Credit Defaults, the timescales and consequences associated to each of them
- The Credit Default Assessment Flag (CDAF) and Section H default
- A working example of the process for a working day and non-working day

What's the Credit Default process?

- When Party's indebtedness goes above 80% of their Credit Cover
 - ⇒ Triggers Credit Default process
- Different timescales and consequences depending on levels:
 - $CCP \geq 80\%$ => Level 1 Credit Default
 - $CCP \geq 90\%$ => Level 2 90% Credit Default
 - $CCP \geq 100\%$ => Level 2 100% Credit Default
- Level 1 & 2 run concurrently
- Contacts between ELEXON and defaulting Party to help going out of the process within reasonable timescales

Level 1 Credit Default

- When CCP goes above 80%, Party enters Level 1 Credit Default
 - Query Period of 24 hours will commence and must include at least five consecutive Business Hours
 - At end of Query Period, if CCP still greater than 80% you will enter a Level 1 Default Cure Period which lasts until midnight on the next Business Day
 - This means you must ensure that your CCP is reduced to less than 75% for at least one Settlement Period before the end of the next Business Day to exit the process.
 - At the end of the Cure Period, if $CCP \geq 75\%$, Party enters Credit Default, CDAF set and default published on BMRS



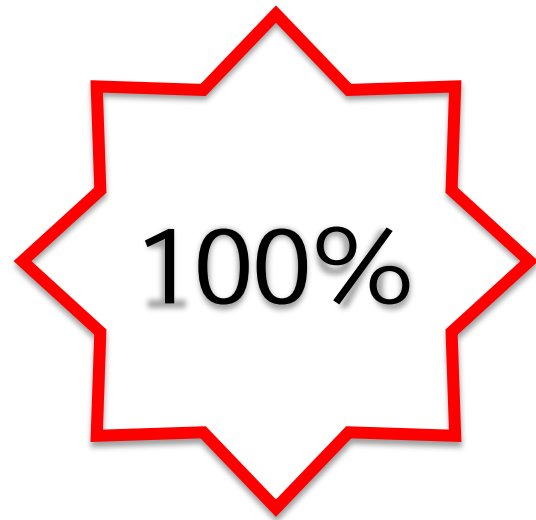
Level 2 - 90% Credit Default

- When CCP goes above 90%, Party enters Level 2 Credit Default
 - Query Period of 24 hours will commence and must include at least five consecutive Business Hours
 - At the end of the Query Period, if $CCP \geq 90\%$, Party enters Credit Default, CDAF set and default published on BMRS
 - Must go down below 90% to exit Level 2
 - Must go down below 75% to exit the process



Level 2 - 100% Credit Default

- When CCP goes above 100%, Party enters Level 2 100% Credit Default
 - Query Period of 24 hours will commence and must include at least five consecutive Business Hours
 - At the end of the Query Period, if $CCP \geq 100\%$, Party enters Credit Default, CDAF set and default published on BMRS
 - Must go down below 90% to exit Level 2
 - Must go down below 75% to exit the process
 - After two Business Days in Level 2 100% Credit Default, breach of Section H of the BSC



More on the CDAF and Section H default processes

- If a Party doesn't regulate its situation on time, ELEXON may set the Credit Default Assessment Flag (CDAF) => refusal and rejection of contracts that would damage position further
- Additionally, the defaulting Party's name is published on the BMRS (bmreports.com) for everyone to know.
- If Party is in breach of Section H, it is brought to the BSC Panel for considering its expulsion from the BSC

Working example

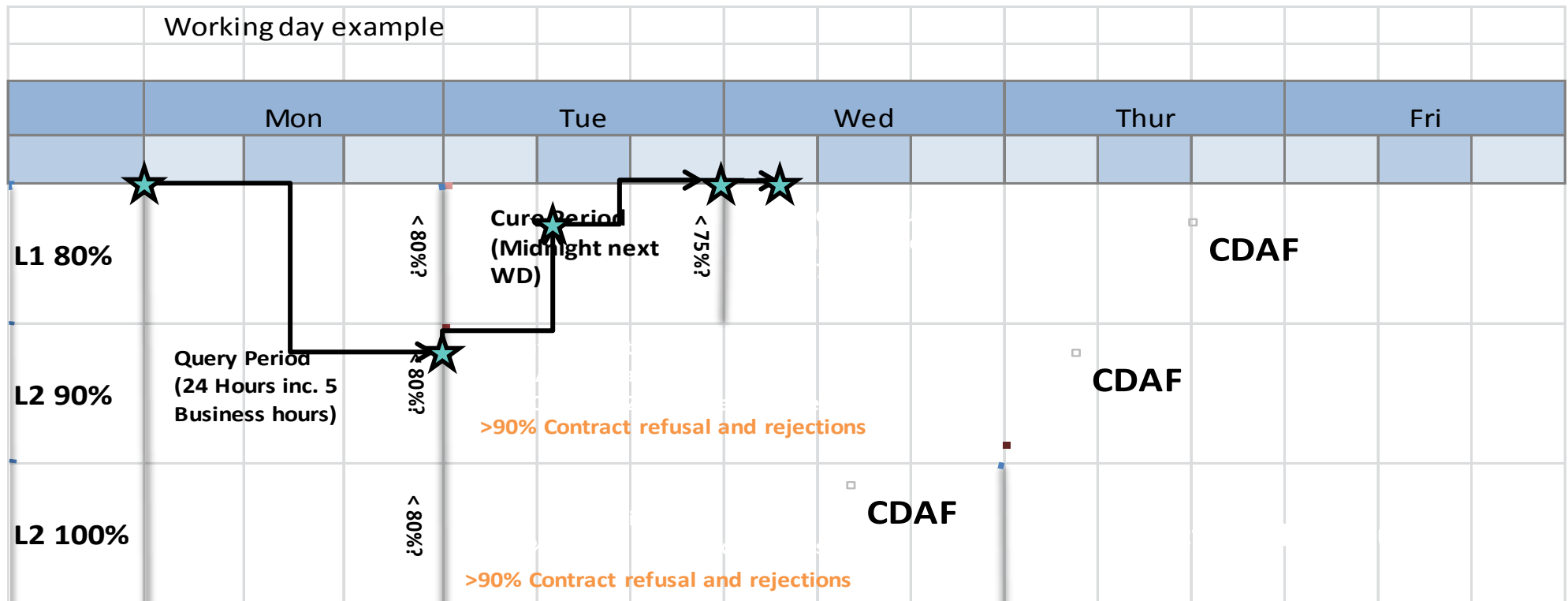
Party X Ltd breaches the 80% threshold on Sunday at midnight.

On Monday at midnight, CCP is 92%.

On Tuesday at 11am, CCP is down to 83%.

On Tuesday at midnight, CCP is 76%.

On Wednesday at 5am, CCP goes down to 73%.



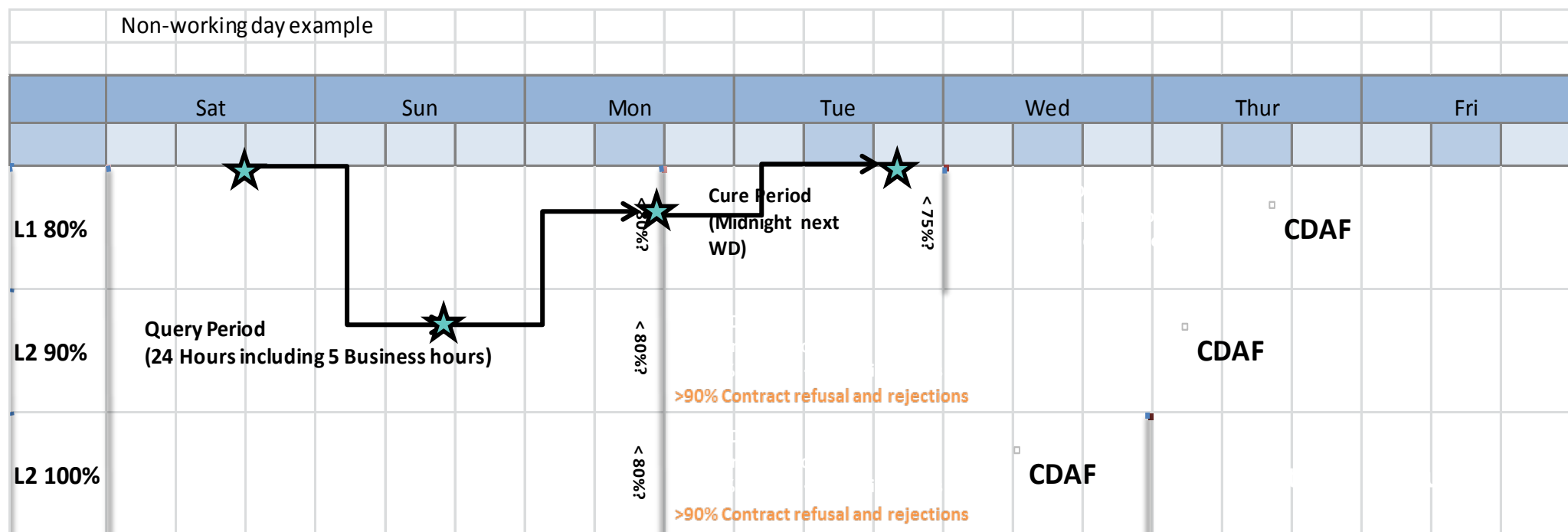
Another one – what about non Business Day situations?

Party X Ltd breaches the 80% threshold on Saturday at 3pm.

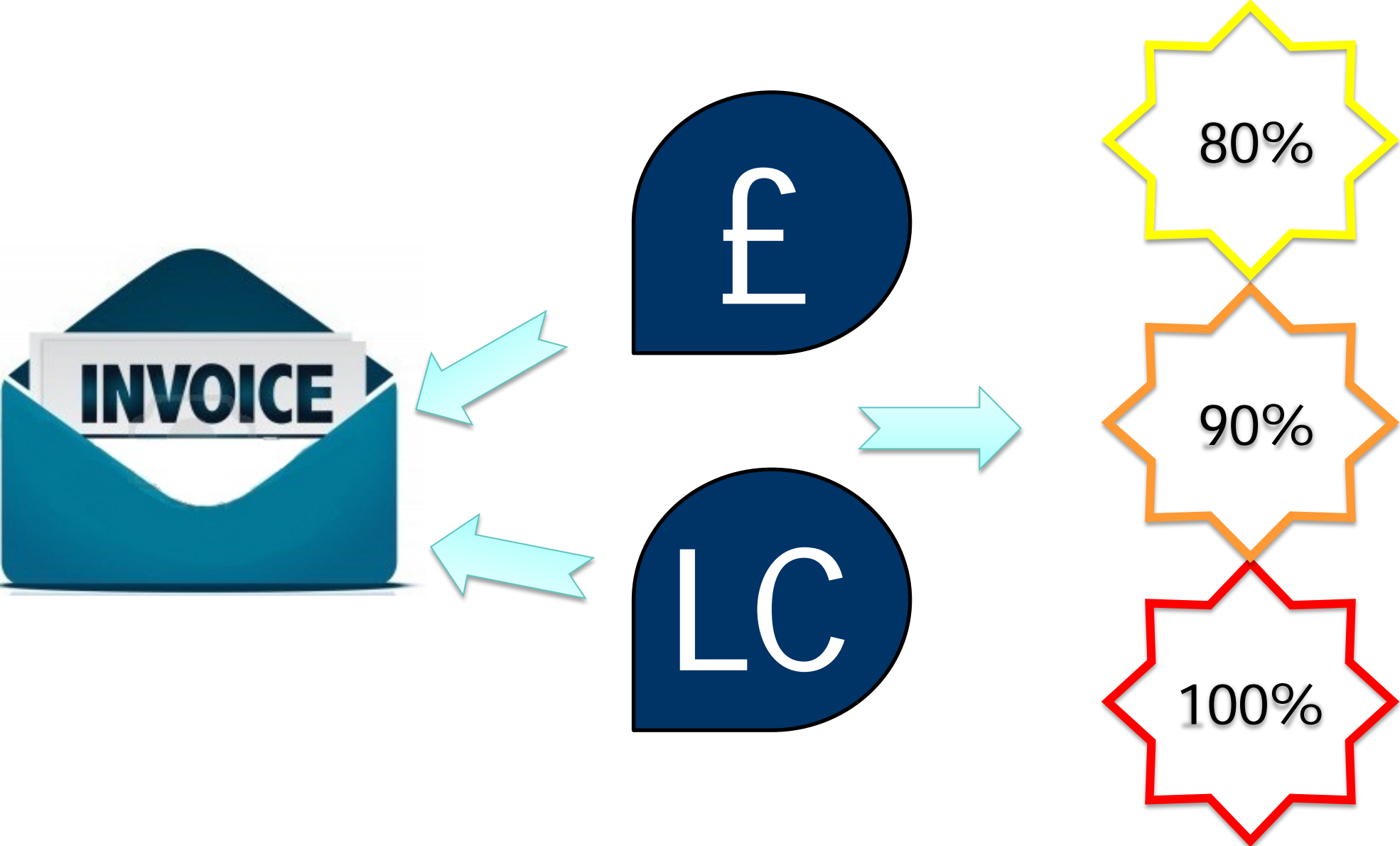
On Sunday at 3pm, CCP is 94%.

On Monday at 2pm, CCP is down to 83%.

On Tuesday at 6pm, CCP is 74%.



Payment Default



We need your help!

- The credit checking process happens 24 hours a day and if a Credit Default occurs, it has to be progressed regardless of whether ELEXON has been able to speak directly to the relevant Party.
- Please help us to ensure that we have up to date contacts for your Party so that if a Credit Default occurs you can be contacted immediately during both working and non-working hours. You can do this by emailing credit-default@elexon.co.uk.

More information and monitoring tools?



<https://www.elexonportal.co.uk>

A screenshot of the ELEXON website's reference page for credit pricing. The page has a teal header with the ELEXON logo, social media icons for Twitter, YouTube, and LinkedIn, and a search bar. A navigation menu includes links for HOME, ABOUT, BSC & RELATED DOCUMENTS, CHANGE, COMMITTEES & MEETINGS, REFERENCE, NEWS & EVENTS, and CONTACTS. The main content area is divided into three columns: "CREDIT & PRICING" with sub-links for Imbalance Pricing, Trading Charges, and Credit; "CREDIT" with the heading "What are the Credit rules under the BSC?" and three paragraphs of text; and "RELATED FAQs" with the question "Do I need to lodge collateral (credit cover) with ELEXON?". Below the FAQ is a "RELATED CONTENT" section with links to "Credit Assessment Load Factor", "BSC Guidance Notes", "Overview of Credit Cover [359.6 Kb]", "Overview of Credit Default [238.4 Kb]", "What happens if a Party defaults? [207.2 Kb]", and "BSC Section M - Credit Cover and Credit Default [241.7 Kb]".

<https://www.elexon.co.uk/reference/credit-pricing/credit/>



Want some more?

Additional videos are available on the website to learn more on the following topics:

- Introduction to BSC Credit Cover

- Credit Cover calculation for:
 - Non Credit Qualifying BM Units (including Suppliers' BM Units)
 - Credit Qualifying BM Units
 - Interconnectors BM Units

- How to use the ELEXON Portal to monitor your Credit Cover Position

