

249/14 – PROPOSED CHANGES TO THE CAP REVIEW PROCESSES

MEETING NAME BSC Panel Meeting

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Purpose of paper Decision

Classification Public

Summary Following a breach of the Credit Assessment Price (CAP) reference price on 29 December 2015, the Credit Committee met on 12 January to agree on a new CAP value of £38/MWh from 9 February 2016. Additionally, the Credit Committee met on 2 February to assess a number of options to improve the Credit Assessment Price (CAP) review and implementation processes. Following its discussions and decisions, the Credit Committee is seeking the BSC Panel's approval to consult on the proposed options to amend the CAP processes.

1. Credit Committee decisions

- 1.1 Following the implementation of the new Credit Assessment Price (CAP) value on 24 December 2015, the CAP reference price breached the lower Trigger Level of £38/MWh (£4/MWh below the current CAP). This triggered a CAP review process and we sent out a consultation to seek the industry views on setting the new CAP value to £37/MWh. We received two responses representing nine Parties.
- 1.2 The Credit Committee met on 12 January 2016 and, based on the consultation responses and the recent forward market prices, it decided to decrease the CAP value to £38/MWh. An implementation date of 9 February 2016 was set for the revised CAP.
- 1.3 The Credit Committee also reviewed the Trigger Level value, set to +/- £4/MWh since 24 December 2015, and decided to keep it at the same level for the moment.

2. Review of the CAP processes

- 2.1 At its January 2016 meeting, the Credit Committee asked ELEXON to present options to improve the CAP setting and implementation process.
- 2.2 The Credit Committee met on 2 February 2016 to consider the proposed options. The Credit Committee paper is provided in Attachment A. After reviewing the options, the Credit Committee suggested that changes should be made and industry should be given an opportunity to consult on them.
- 2.3 The proposed options for consultation are:
 - Reducing the notice period timescale for implementing a new CAP value from 20 to 15 Working Days
 - Changing the reference period to account for the coming two months instead of quarters
 - Changing the prices used in the CAP reference price calculation to only account for peak prices
- 2.4 In order to take the best decision for the benefit of the industry, the Credit Committee would like to consult on the proposed changes above. The Credit Committee also asked ELEXON to extend areas of the analysis performed around the impact of solely using peak prices to calculate the reference price. This analysis is included in the consultation paper in Attachment B.

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2.5 Changing the implementation notice period will require amendment to BSC Section M (for the implementation notice period) and raising a BSC Modification to do so. Changing the products and reference period used to calculate the reference price would require altering the [Credit Assessment Price \(CAP\) Review Guidance Document](#).

3. Next step

3.1 With the Panel's agreement, ELEXON will publish the attached Consultation document (Attachment B) and proforma (Attachment C) seeking industry's views on the proposed changes.

3.2 At the beginning of March, the Credit Committee will meet and, based on the consultation responses, formulate its final recommendations to the BSC Panel for decision at the next meeting, on 10 March 2016.

4. Recommendations

4.1 We invite you to:

- a) **NOTE** the decisions taken by the Credit Committee at its meeting on 12 January 2016;
- b) **AGREE** that ELEXON perform a consultation on the proposed options on behalf of the Credit Committee; and
- c) **NOTE** that the Credit Committee will review the result of the consultation and make recommendations to the Panel at its meeting on 10 March 2016.

Attachments

Attachment A – CC26/01 – Proposed changes to the CAP process

Attachment B – Proposed changes to the cap processes – Consultation document

Attachment C – Consultation proforma

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