

## Credit Cover

### This document covers:

- Why you need Credit Cover and to how to lodge it;
- How we calculate your indebtedness; and
- How to check your Credit Cover Percentage (CCP).

### Why do I need Credit Cover?

Credit Cover is needed because Trading Charges are paid 29 days after a Settlement Day. Over this period the Credit Cover ensures that Parties have enough collateral to cover these payments in case of default.

### Why 29 days?

The timing is linked to the timing of our Initial Settlement (SF) Run. The SF Run determines the Trading Charges you need to pay or be paid. Charges are also calculated for information at five working days in the Interim Information (II) Run, which you can use as an estimate of your SF Trading Charges.

We send you an Advice Note after we've calculated your Trading Charges using the SF data which must be settled by the payment day, which falls 29 days after the associated Settlement Day.

### How do I lodge Credit Cover?

You can lodge Credit Cover during working hours as cash via bank transfer or Letter of Credit. If you want to lodge Credit Cover, contact the [BSC Service Desk](mailto:bscservicedesk@cqi.com) on **0870 010 6950** or [bscservicedesk@cqi.com](mailto:bscservicedesk@cqi.com).

### What if I want to withdraw my Credit Cover?

You can withdraw Credit Cover using the 'minimum eligible amount' (MEA) process. This process calculates the minimum level of Credit Cover that would be required to prevent Credit Default. If you wish to reduce your collateral, there is a 10 day waiting period, during which a minimum eligible amount is established.

We calculate the MEA by finding your highest level of indebtedness over the last 10 days. We then calculate how much you could have reduced your Credit Cover by and still had a CCP of 75%; this is the maximum amount you can withdraw. Note that this is not a recommendation on how much you should withdraw; you should assess the withdrawal carefully to ensure you leave a suitable level of Credit Cover in place to cover future Energy Indebtedness.

Details on how to submit an MEA request and the relevant forms can be found in Balancing and Settlement Code Procedure [BSCP301](#).

## How much Credit Cover do I need to lodge?

We don't specify an amount of Credit Cover; it's up to you to decide. You will need to make this decision based on your trading characteristics, we're happy to help if you'd like further guidance. Some things you may want to consider are:

- How much indebtedness could I accrue over 29 days;
- How would my indebtedness be affected if I experienced a plant trip/system outage;
- Other operational scenarios e.g. contract rounds; and
- An additional mark-up as you must only use up to 80% of the Credit Cover to avoid Credit Default processes.

## How is my Indebtedness Calculated?

We check your Energy Indebtedness (EI) every half-hour. EI is measured in MWh. Credit Cover, however, is lodged as a cash figure. To convert your Credit Cover into Energy Credit Cover we divide it by the Credit Assessment Price (CAP). CAP is a parameter set by the [Credit Committee](#), and is compared against current wholesale prices to ensure it reflects the current market value of electricity.

### Example

If a Party has £500,000 of Credit Cover and CAP is set at £100/MWh:

Energy Credit Cover = £500,000 ÷ £100/MWh

Energy Credit Cover = 5000 MWh

You can find the current Credit Assessment Price on the [ELEXON Portal](#).

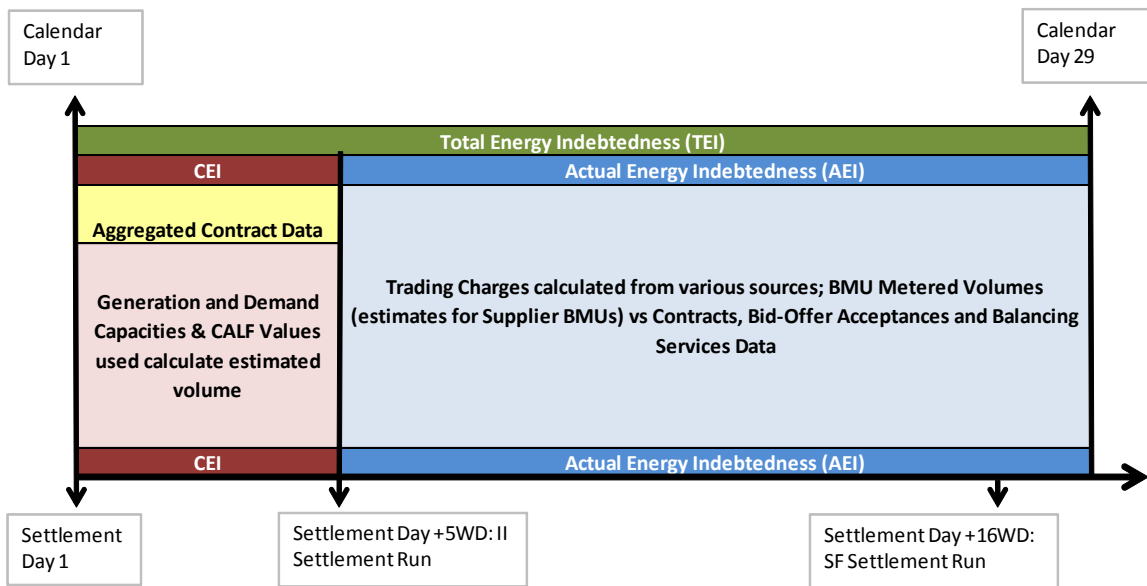
## CEI, MEI and AEI

For each Settlement Period, the Energy Indebtedness is the sum over the previous 29 days (including the current Settlement Day) of:

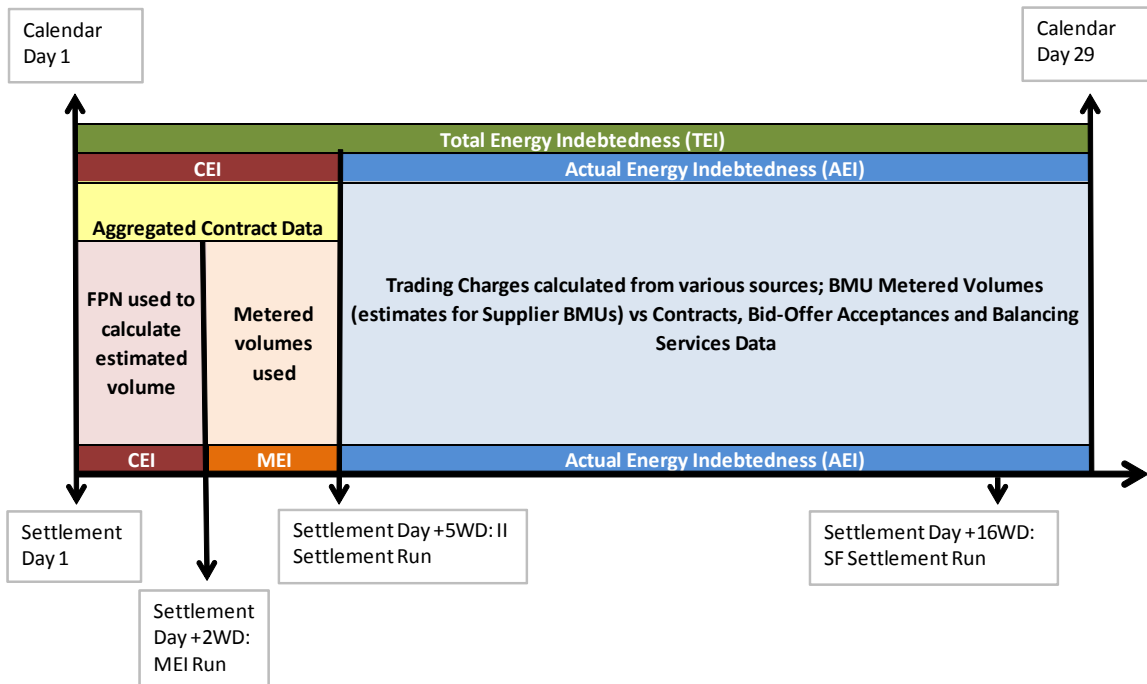
- Credit Assessment Energy Indebtedness (CEI);
- Metered Energy Indebtedness (MEI); and
- Actual Energy Indebtedness (AEI)

These components are calculated for Settlement Periods in time frames outlined in Figures 1, 2 and 3. These diagrams show the three components and the periods they cover.

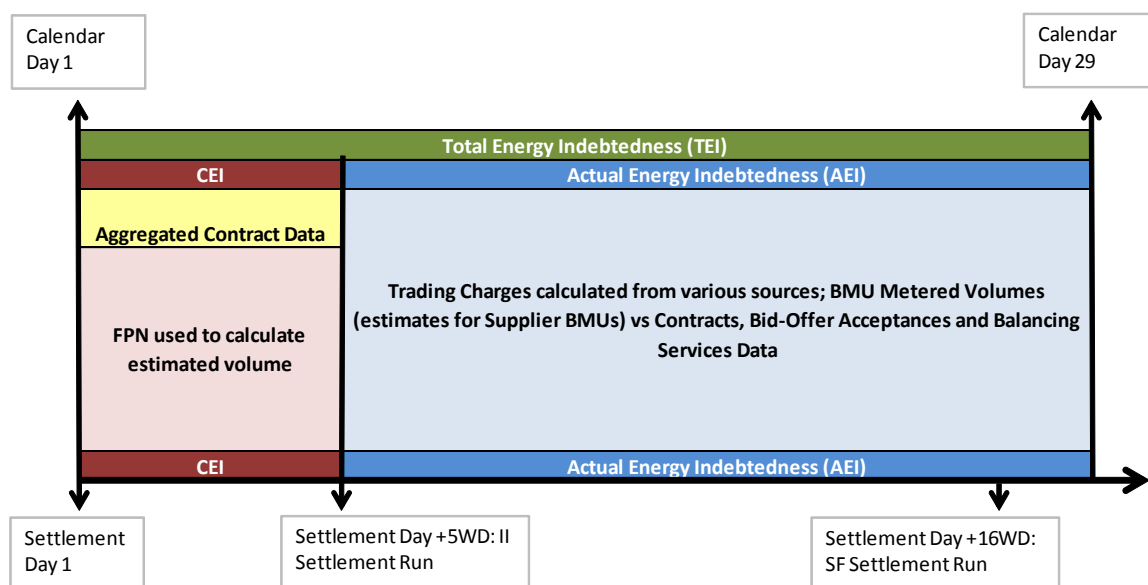
The components are calculated for every Balancing Mechanism Unit, in MWh, and are aggregated to a Party level to produce a Party's overall EI figure. Essentially this is an estimate of your imbalance volume over the 29 day period.



**Figure 1:** The Credit Calculation for non-Credit Qualifying BM Units.



**Figure 2:** The Credit Calculation for Credit Qualifying BM Units (not including Interconnector BM Units)



**Figure 3:** The Credit Calculation for Interconnector BM Units

### What's a Credit Qualifying BM Unit?

If the BM Unit is not an Interconnector BM Unit and is required to submit Final Physical Notifications to the System Operator, it can qualify as a Credit Qualifying BM Unit as long as it has:

- A Production Status flag (i.e. it's classed as a generating BM Unit); or
- Exempt Export status; or
- A specific dispensation from the BSC Panel.

### Credit Assessment Energy Indebtedness (CEI)

CEI is an estimate of Energy Indebtedness used until we carry out the Interim Information (II) Run after 5 Working Days. For non-Credit Qualifying BM Units it is based on each BM Unit's contractual position at Gate Closure compared to an estimated metered volume based on the Credit Assessment Load Factor (CALF) and the expected maximum demand and consumption over the BSC Season, called Demand Capacity (DC) or Generation Capacity (GC). For Credit Qualifying BM Units and Interconnectors it is based on the BM Unit's contractual position at Gate Closure compared to the latest Physical Notification submitted to National Grid before Gate Closure (Final Physical Notification).

### Non Credit Qualifying BM Units

#### *GC and DC*

If you have any non-Credit Qualifying BM Units (excluding Interconnectors), you are required to declare your GC and DC as accurately as possible. The GC and DC for each BM Unit is the expected maximum positive and negative metered volume for a single Settlement Period in the BSC Season. If calculated in MWh, these will then be multiplied by two to give the BM Unit's GC and DC in MW. Declarations are required 10 Working Days prior to the start of a BSC Season. Note that most generating BM Units will be Credit Qualifying BM Units and therefore it is more likely that the DC will be required than the GC.

## *CALF*

In addition, ELEXON will determine the CALF values for all non-Credit Qualifying BM Units (excluding Interconnectors) before the start of each BSC Season. This is generally the average generation/consumption divided by the maximum generation/consumption over a previous equivalent BSC Season. Where the BM Unit has a zero DC and non-zero GC, it will qualify for a Supplier Export CALF (SECALF).

More details on CALF values can be found in the [CALF Guidance Note](#) on the [Balancing Mechanism Units](#) section of the [BSC Website](#).

## *Import/Export Capability*

The Import/Export Capability is based on the Credit Assessment Load Factor (CALF) multiplied by the Demand Capacity or Generation Capacity of the BM Unit. We compare this to your contractual position to provide your CEI. GC, DC and CALF values for all BM Units are on the 'Market Data section' of the [ELEXON Portal](#).

## **Credit Qualifying and Interconnector BM Units**

For Credit Qualifying and Interconnector BM Units, the FPN is compared with your contractual position to provide your CEI.

### **CEI for Different Types of BM Unit**

The methodology for determining CEI and the length of time for which it applies is based on the type of BM Unit:

- The CEI for Credit Qualifying BM Units is based on a comparison of the BM Unit's FPN and the Aggregated Contract Volume. For Credit Qualifying BM Units the CEI is only used for the most recent two Working Days.
- The CEI for Interconnector BM Units is based on a comparison of the BM Unit's FPN and the Aggregated Contract Volume. For Interconnector BM Units the CEI is used for the most recent five Working Days.
- The CEI for non-Credit Qualifying BM Units is based on a comparison of the BM Unit's Import or Export Capability and the Aggregated Contract Volume. For non-Credit Qualifying BM Units the CEI is used for the most recent five Working Days.

### **Metered Energy Indebtedness (MEI)**

The MEI uses Central Data Collection Agent (CDCA) metered data to replace FPN data for Credit Qualifying BM Units. The MEI data is available for use in the credit calculations after two working days. For all other BM Units, including Interconnector BM Units, the MEI doesn't apply and these days are part of their CEI.

### **Actual Energy Indebtedness (AEI)**

The AEI is an estimate of your Trading Charges for a given Settlement Period expressed in MWh. It is calculated from five Working Days after a Settlement Day using the Interim Information (II) Run data. It replaces the CEI (and MEI) for those particular Settlement Days. Like CEI and MEI, the AEI is a MWh quantity and is calculated by dividing your Trading Charges by the CAP.

## Need more information?

For more information please contact the BSC Service Desk at [bscservicedesk@cgi.com](mailto:bscservicedesk@cgi.com) or call **0870 010 6950**.

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