
Credit Assessment Price Consultation – 01 November 2021

Target Audience **BSC Parties**

Purpose of paper **For consultation**

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Classification **Public**

Deadline for responses **03 November 2021 17:00**

Summary

The Credit Assessment Price (CAP) is used in the Energy Indebtedness calculations to convert Credit Cover into an energy value. We are consulting on a decrease of the CAP to **£240/MWh** from the last notified value of £259/MWh. A change to CAP can impact the amount of Credit Cover required by a BSC Party.

If all respondents and Credit Committee members are in agreement, the proposed value will be implemented on Thursday 18 November 2021. Please note the last notified CAP value of £259/MWh will still be implemented on Thursday 4 November 2021.

Credit Committee members have decided to move to the alternative Credit Assessment Price (CAP) Review process due to fast market conditions. This alternative process allows the Credit Committee to set a new CAP faster and based on a wider range of data sources. Please note this alternative process is outlined in the [CAP Review Process Guidance](#).

BSC Parties are invited to respond to this consultation using the proforma available on the [Consultations page](#) of the Elexon website. Please return responses by digital form to Credit.Committee@elexon.co.uk by 17:00 on Wednesday 3 November 2021.

1. Introduction

- 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 BSC Parties’ Energy Indebtedness.’
- 1.2 A trigger event has occurred, meaning that the absolute difference between the CAP and the reference price is greater than the current trigger level of +/- £27/MWh. Following this trigger event, the Credit Committee decided to move to the alternative CAP review process, as it was felt the alternative process would be more appropriate given the fast market conditions.
- 1.3 While the alternative Credit Assessment Price (CAP) Review process is being operated, the consultation period is reduced to two working days and the notification period is reduced to 10 working days. The Credit Committee will also review the Credit Assessment Price every two weeks.
- 1.4 A consultation on a new CAP value has commenced. The consultation period will end at 17:00 on Wednesday 3 November 2021.
- 1.5 If required, the Credit Committee will meet shortly thereafter to determine if a new CAP value should apply.
- 1.6 If the Credit Committee **does not meet**, the proposed CAP value will be implemented on **Thursday 18 November 2021**.

2. Decision to move to alternative CAP Review Process

- 2.1 The Credit Committee met on 1 November 2021 to discuss moving to the alternative CAP review process and the methodology to be used in setting a value.

- 2.2 The Credit Committee considered the interpretation of triggering the alternative CAP review process and whether to look for triggers that we were in a fast market since the date of the guidance being implemented (27 October 2021) or whether they could consider market conditions before that date.
- 2.3 The Credit Committee agreed it was appropriate to consider that it was a fast market and the alternative CAP review process could be triggered based on the characteristics of multiple consecutive CAP reviews since September 2021 and CAP changes of greater than £20/MWh.

3. Recent Pricing Data

- 3.1 The Credit Committee considered reference price on the day of the Credit Committee meeting (taking a 5-day rolling average of November/December prices) was £232.16/MWh. They also considered that based on an implementation date in November, the 5-day rolling average for December/January prices is £245.76/MWh. Over the most recent 5-day period the December/January forward market prices have dropped £47.76/MWh from £263.52/MWh to £215.77/MWh.
- 3.2 The most recent System Prices and Market Index Prices were also considered. These prices will be monitored during the consultation period by the Credit Committee but were not used in determining the proposed CAP.
- 3.3 The methodology used in proposing a CAP was to take the mid-point of the latest reference price and the 5-day rolling average for December/January prices. This would be monitored during the consultation period to determine it if was still reflective at the end of the consultation period.
- 3.4 Graphs link
<https://app.powerbi.com/view?r=eyJrIjoieYzk5YWJkZTk0MTY1MC00ODQ5LWFINGYtOTQwMzcxYjQ0OTczIiwidCI6IjFhMjMzLTVkMjktNDBIMS05NmZkLWJjNWVjMjcwNjM2MSJ9>

4. Next Steps

- 4.1 Following the end of the consultation period, if required, the Credit Committee will try to meet on the same week that the consultation closes, and decide whether to change the current CAP value and the trigger level. Any change will be notified to all BSC Parties, and the new value will come into effect at least 10 Working Days later.
- 4.2 If a Credit Committee meeting **is not required** at the end of the consultation period, the new CAP value of **£240/MWh** would be implemented on **Thursday 18 November 2021**
- 4.3 You are invited to respond to this consultation using the [consultation proforma](#). Please submit your responses via the consultation form to Credit.Committee@elexon.co.uk by 17:00 on Wednesday 3 November 2021.

For more information, please contact:

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