

Overview of Credit Cover

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This document covers:

- Why you need Credit Cover and how to lodge it
- How we calculate your Indebtedness
- Checking your Credit Cover Percentage (CCP)



If you have any questions on Credit Cover, please contact the BSC Service Desk on 0870 010 6950 or email bscservicedesk@logica.com

Why do I need Credit Cover?

Trading Charge payments are made between Parties 29 days after a Settlement Day. Credit Cover ensures that ELEXON has enough collateral to cover these payments if you cannot make them.

Why 29 days?

The timing is linked to the timing of our Initial Settlement (SF) Run. The SF Run determines how much energy you've generated and consumed. The Run also lets us determine the Trading Charges you owe or are owed. Any calculation of charges before this time is approximate.

We send you an Advice Note after we've calculated your Trading Charges. When you receive this note, you should pay, or be paid, the amount of the Note by the relevant Payment Day. The Payment Day falls 29 days after the associated Settlement Day.

How do I lodge Credit Cover?

If you want advice on lodging Credit Cover, contact the BSC Service Desk on **0870 010 6950** or bscservicedesk@logica.com.

You can lodge Credit Cover during working hours as cash or Letters of Credit. The amount of credit you lodge is divided by the Credit Assessment Price (CAP) to determine your Energy Credit Cover in MWh. We use Energy Credit Cover in the credit calculations.

If you default on a Trading Charge payment, we'll use the Credit Cover that you've lodged to pay off these charges.



Visit our website:
www.elexon.co.uk

What if I want to withdraw my Credit Cover?

We ensure that you can't withdraw Credit Cover and put yourself into Credit Default. If you wish to reduce your collateral, there is a 10 day waiting period, during which a 'minimum eligible amount' (MEA) 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.



You can find details on how to submit an MEA request and the relevant forms in [BSCP301 'Clearing, Invoicing and Payment'](#)

How much Credit Cover do I need to lodge?

We don't specify the amount of Credit Cover that you must lodge; it's up to you to decide. You'll generally make this decision based on your trading characteristics, but we're happy to help if you'd like some advice. 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 worst-case scenarios

We will carry out regular Credit checks to ensure that you can't accumulate a debt, over the 29 day period that exceeds the amount of Credit Cover you've provided.

How is my Indebtedness Calculated?

We check your Energy Indebtedness (EI) every half-hour. EI is measured in MWh. Credit Cover, however, is lodged in pounds (£). 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 the current wholesale prices to ensure it represents the current market value of electricity.

Example

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

Energy Credit Cover = £500,000 / £100

Energy Credit Cover = 5000 MWh

You can find the current CAP value on the [Credit](#) section of the ELEXON website.

CEI, MEI and AEI

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

- Credit Assessment Energy Indebtedness (CEI)
- Metered Energy Indebtedness (MEI)
- 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 up 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.

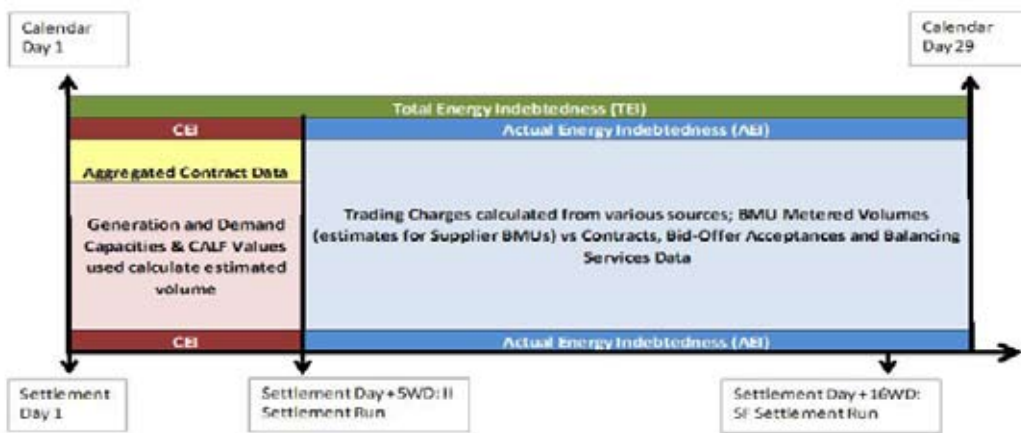


Figure 1: The Credit Calculation for non Credit Qualifying BM Units

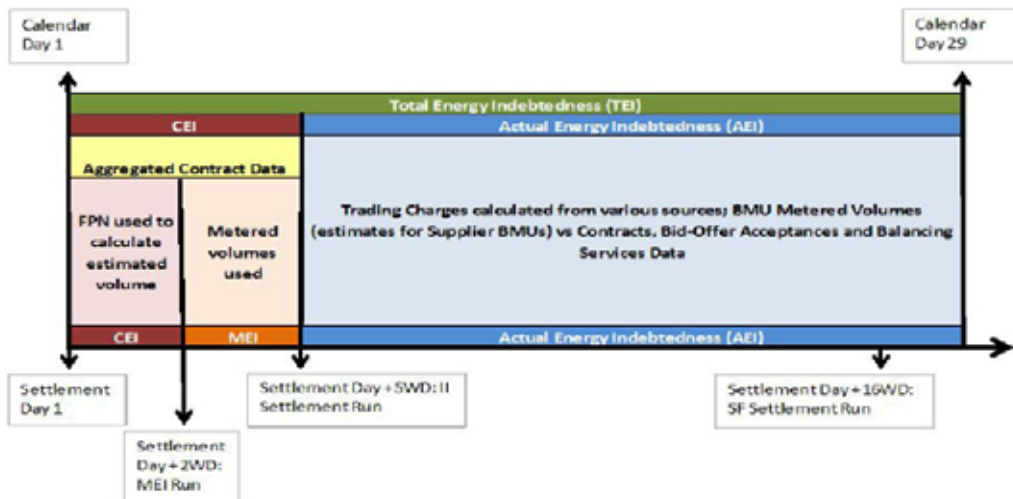


Figure 2: The Credit Calculation for non Credit Qualifying BM Units (not including Interconnector BM Units)

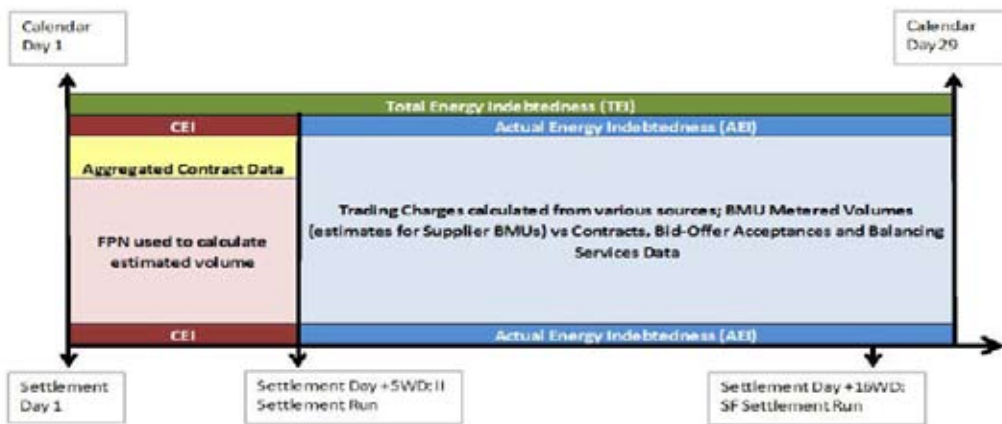


Figure 3: The Credit Calculation for Interconnector BM Units

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)
- Exempt Export status
- 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 capacity of the BM Unit 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 Final Physical Notification submitted to National Grid before Gate Closure.

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 best estimate of expected maximum positive and negative metered volume in MWh before the start of each BSC Season. These will then be multiplied by two to give the BM Unit's GC and DC in MW. 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. More details on CALF values can be found in the CALF Guidance Note on the [Balancing Mechanism Units](#) section of the ELEXON 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 respectively.

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 submitted prior to Gate Closure 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 last two Working Days.
- The CEI 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 last 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 last five Working Days.

Metered Energy Indebtedness (MEI)

The MEI is based on metered volumes retrieved two Working Days after a given Settlement Day. It compares these metered volumes to the contract volumes you've submitted. This provides your imbalance volume, and this volume is your MEI. MEI is only calculated for Credit Qualifying BM Units. 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, at which point it replaces the CEI (and MEI) for those particular Settlement Periods. Like CEI and MEI, the AEI is a MWh quantity and is calculated by dividing your Trading Charges by the CAP.

After five Working Days, we'll have calculated an indicative figure for the daily Trading Charges for each Party. This is based on both Metered Volumes and estimates. For CVA (Centrally Registered) BM Units and Half Hourly Metering Systems that are part of Supplier BM Units, we will have determined the Metered Volumes, although these may include some estimates. For the rest of the Suppliers' Non Half Hourly Metered customers, we will have established volumes based mainly on the EACs that Data Aggregators hold for them.

If a Party feels that the AEI is not providing a true reflection of its consumption due to erroneous data, then with substantial evidence it may be possible to appeal the AEI part of the calculation by lodging Material Doubt. See the [Material Doubt Guidelines](#) for more information.



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