

FAA Credit Cover procedures: P142 proposals

- When an increase to Credit Cover is received by the FAA, detailed checking must occur before that increase can be correctly allocated to the BSC Party in question and the responsibility of the FAA will be greatly increased under the proposals outlined.:
 - A Letter of Credit amendment must be checked for the correct BSC Party, correct reference, correct bank (and signatory), amount of increase and date. Under the P142 proposals these checks must be carried out to very tight deadlines, with the possibility (under option 1 and 2) of only 5 minutes for this check.
 - Cash payments must be checked as cleared into the Barclays Reserve Account, which comes as a faxed notification from Barclays, an update via the Business Master terminal (subject to a 30 minute or more delay), and if necessary a confirmation via telephone from the Barclays customer management team. This check must be performed to a stricter timescale under P142 proposals.
- Under the P142 proposals notification as to which BSC parties are entering Level 2 Credit Default is necessary. This information can be gained from the www.bmreports.com website, however an instant notification from Elexon/ECVAA would be more appropriate (possibly when parties enter Level 1 Credit Default, along with those parties who enter the Level 2 ‘window’) to allow the FAA to expect Credit Cover increases.
- The turn-around for Option 1 (5 minutes) cannot be guaranteed, with the risk being here that changes are not processed in a timely manner; as described above, there are various checks that need to be made when Credit Cover is received and 5 minutes is insufficient for these checks to be thoroughly and correctly made. The FAA would prefer Option 3, where turn-around is up to an hour and the necessary checks can be carried out. If it is the decision to implement Option 3, then the risk will be mitigated within the current insurance liability.