

CREDIT LIMIT CALCULATION

-Appendix-

➤ *Slide 4*

Here is a concrete example of a credit limit calculation:

1. Situation of participant's credit limit on 15th June

- Balance of business account = 10,000
- Bank guarantee = 50,000
- Allocated capacity on monthly and daily horizon to be invoiced at the beginning of July = 40,000
- Potential liabilities (maximum exposure for 2 bids placed on 2 opened intraday auctions) = 5,000 + 3,000

$$\text{Credit limit} = 10,000 + 50,000 - 40,000 - (5,000 + 3,000) = 12,000$$

2. Situation of participant's credit limit on 15th June after the results of the 2 intraday auctions have been calculated

- Balance of business account = 10,000
- Bank guarantee = 50,000
- Allocated capacity on monthly and daily horizon to be invoiced at the beginning of July = 45,000
- Potential liabilities = 0,00 (no bids placed on any opened auction). The potential liabilities for situation 1 have been recalculated using the final auction clearing prices (total of 5,000) and were added to the allocated capacity to be invoiced in July

$$\text{Credit limit} = 10,000 + 50,000 - 45,000 = 15,000$$

➤ *Slide 7*

The “**period to be secured**” represents the minimum validity of a participant’s bank guarantee in order for this guarantee to be considered in the credit limit that is available to participate to a given auction.

The “*period to be secured*” varies for each auction horizon.

Details are available on the latest allocation rules:

1. “*for product(s) with a duration of more than one month, until at least thirty (30) calendar days after the end of each next calendar month within the Product Period(s)*”
2. “*for product(s) with a duration of one month, until at least thirty (30) calendar days after the end of the Product Period(s)*”
3. “*for product(s) with a duration of less than one month, until at least sixty (60) calendar days after the end of the Product Period(s)*”

For **daily and intraday products**, please refer to the latest short-term allocation rules.

Considering the example on **image 1**:

The participant wants to place a bid on the **weekend IFA2 GB>FR auction** for market period **Sept 24th – 26th**. The period to be secured calculated by the auction tool ends on Nov 25th (end of the product – Sept 26th + 60 days = Nov 25th).

If the participant’s bank guarantee expires on Nov 15th, it will not be considered in the credit limit calculation when placing a bid although the guarantee ends after the end of the product period.

Image 1

Auction

IF2-FR-GB	Weekly	24-09-2022 00:00	26-09-2022 00:00	IF2-FR-GB-E-BASE---220924-01	0	Published	07d/00h/14m	View Bids
IF2-GB-FR	Weekly	24-09-2022 00:00	26-09-2022 00:00	IF2-GB-FR-E-BASE---220924-01	0	Published	07d/00h/14m	View Bids

Navigation icons: Home, Previous, Next, End

Details

Auction identification	Auction parameters	Bidding parameters	Gates	Products	Allocation Constraints	Maintenance Periods	Comments
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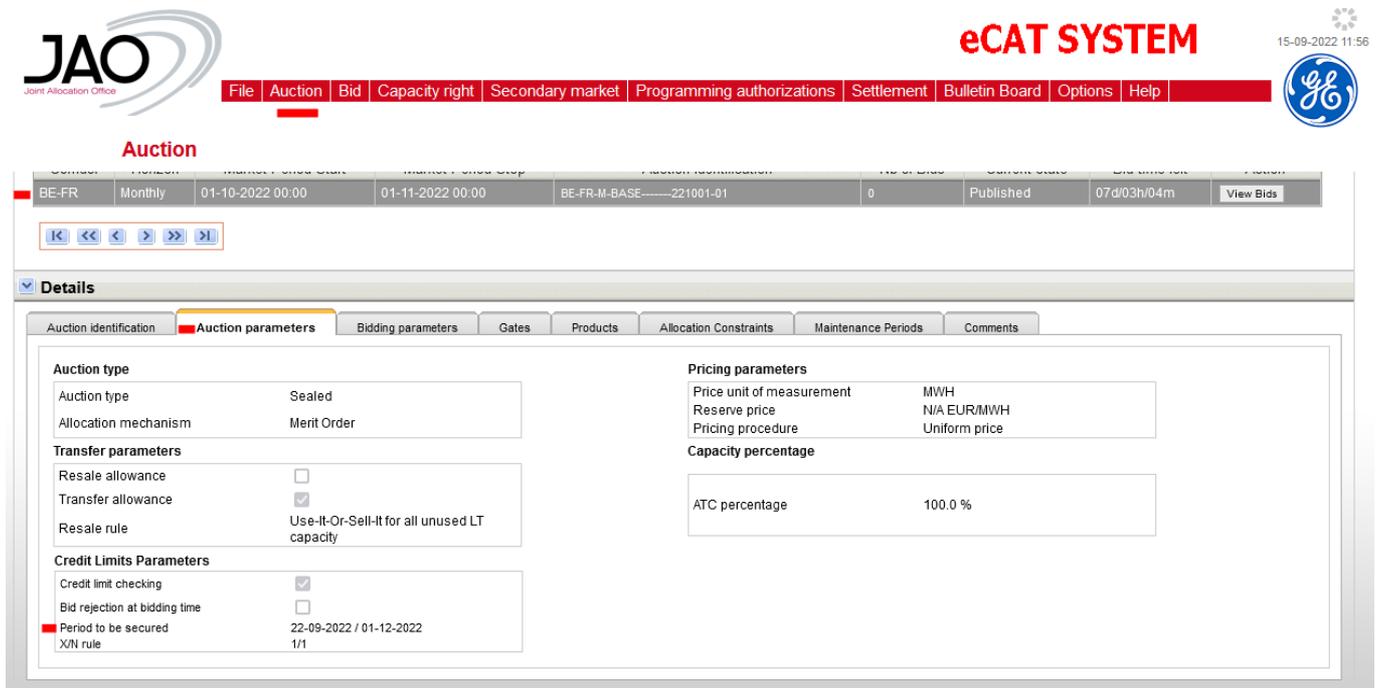
Auction type		Pricing parameters	
Auction type	Sealed	Price unit of measurement	MWH
Allocation mechanism	Merit Order	Reserve price	N/A EUR/MWH
Transfer parameters		Pricing procedure	Uniform price
Resale allowance	<input checked="" type="checkbox"/>	Capacity percentage	
Transfer allowance	<input checked="" type="checkbox"/>	ATC percentage	
Resale rule	Use-It-Or-Sell-It for unused LT capacity that is resold to daily auction	100.0 %	
Credit Limits Parameters			
Credit limit checking	<input checked="" type="checkbox"/>		
Bid rejection at bidding time	<input type="checkbox"/>		
Period to be secured	22-09-2022 / 25-11-2022		
X/N rule	1/1		

Considering the example on *image 2*:

The participant wants to place a bid on the **monthly BE>FR auction** for market period **October 2022**. The period to be secured calculated by the auction tool ends on Dec 1st (end of the product – Nov 1st + 30 days = Dec 1st).

If the participant’s bank guarantee expires on Nov 15th, it will not be considered in the credit limit calculation when placing a bid although the guarantee ends after the end of the product period.

Image 2



➤ *Slides 8 and 9*

When placing a bid, an acknowledgment document is immediate generated and displayed after you saved your bid. We highly recommend to **always opening this acknowledgment** in order to verify if your credit limit covers by your bid. The calculation takes into account all your **current liabilities** (allocated capacity to be invoiced next month and your **potential liabilities** for all opened auctions).

For short-term auctions, the acknowledgment will be tagged as “*partially accepted*” and the system will assess if your credit limit is sufficient when the clearing price is being calculated.

For long-term auctions, the acknowledgment will be tagged as “*fully accepted*” and the system will assess if your credit limit is sufficient when the clearing price is being calculated.

Acknowledgments can be downloaded from your eCAT user interface by clicking on File>download.

Image 3 shows an example of the message displayed in the acknowledgment document in case your credit limit is not sufficient to cover your potential liabilities

Image 3
ACKNOWLEDGEMENT MESSAGE

Message Identification	Date and Time	Receiving Message Identification	Receiving Message Version	Receiving Payload Name
1344578504	2022-11-01T14:30:11Z	NLL-BE-GB-I-ID1824-221101-01	2	10X1001A1001A57U_NLL-BE-GB-I-ID1824

Sender	Role	Receiver	Role
10X1001A1001A57U	TCA	████████████████████	CT

MESSAGE ACKNOWLEDGEMENT STATUS

Reason Code	Reason Title	Reason Text
A02	Message Fully Rejected	Allocation constraints exceeded by this set of bids

Reason Code	Reason Title	Reason Text
A10	■ Credit limit exceeded	■ WARNING ! Bids are accepted under reserve despite they are not covered by the credit limit. 697 190.39 Euros are needed to cover all bids

➤ *Slide 10*

On 10th working day of each month, JAO's finance department will send to your financial contact the invoice/selfbill.

At the latest **on 15th working day**, you must have credited your business account with the invoice amount.

On 16th working day, JAO will debit the due amount from your business account. This operation takes place in the evening and your credit limit is updated immediately.

If you received a selfbill, JAO will pay the due amount to your corporate account **on 17th working day**. This operation takes place in the afternoon and your credit limit is updated already **on 10th working day**, when the selfbill was issued.

➤ Slides 11, 12 and 13

On the situation showed on **image 4**, the participant only holds yearly and seasonal capacity, which means that the instalments will be equal every month until the capacity is fully paid. If the participant credits his account every month with the due amount and does not participate to any other auction the credit limit will remain stable after JAO debits the account.

CL after debit = 10,000 - 3,000 = 7,000

If he does not credit the account with the invoice amount before JAO debits it, the credit limit will decrease

CL after debit = 7,000 - 3,000 = 4,000

Image 4

Timeline	Balance on business account	Bank guarantee	Capacity awarded/Invoice amount	Credit Limit	To be deducted from CL after invoice is paid
Before Invoicing - 15th working day	10,000	0	3,000	7,000	3,000
After invoicing - 16th working day (evening)					
If invoice amount is credited to account	10,000	0	3,000	7,000	3,000
If invoice amount is NOT credited to account	7,000	0	3,000	4,000	3,000

Horizon	Yearly	Seasonal	Monthly	Short-term
Value of awarded capacity to be paid in the next invoicing process	2,000	1,000	0	0
			Total	3,000

On the situation showed on **image 5**, the participant holds yearly, seasonal, monthly and daily capacity. The participant will not participate to any new auctions for next month. If the participant credits his account with the due amount (4,300), the credit limit will increase after JAO debits the account since there is no longer any capacity awarded for monthly or short-term auctions.

CL after debit = 10,000 - 3,000 = 7,000

If he does not credit the account with the invoice amount before JAO debits it, the credit limit will decrease.

CL after debit = 5,700 - 3,000 = 4,000

Image 5

Timeline	Balance on business account	Bank guarantee	Capacity awarded/Invoice amount	Credit Limit	Next invoice
Before Invoicing	10,000	0	4,300	5,700	3,000
After invoicing					
If invoice amount is credited to account	10,000	0	3,000	7,000	3,000
If invoice amount is NOT credited to account	5,700	0	3,000	2,700	3,000

Horizon	Yearly	Seasonal	Monthly	Short-term
Value of awarded capacity to be paid in the next invoicing process	2,000	1,000	500	800
			Total	4,300

On the situation showed on **image 6**, the participant holds yearly, monthly and short-term capacity to be invoiced this month. In addition on 15th working day, the participants acquires some short-term capacity for this month (for 10,000); it is added to the capacity to be invoiced next month and already blocked from the credit limit.

CL before debit = 10,000 + 5,000 – 3,300 – 10,000 = 1,700

The participant credits his account with the due amount (3,300);
In the evening the invoice amount (3,300) is deducted from his business account.

CL after debit = 10,000 + 5,000 – 12,000 = 3,000

If he does not credit the account with the invoice amount before JAO debits it, the credit limit will become negative and the participant faces a risk of negative credit limit.

CL after debit = 6,700 + 5,000 - 12,000 = -300

Image 6

Timeline	Balance on business account	Bank guarantee	Capacity awarded/Invoice amount	Credit Limit	Next invoice
Before Invoicing	10,000	5,000	3,300	1,700	12,000
After invoicing					
If invoice amount is credited to account	10,000	5,000	12,000	3,000	2,000
If invoice amount is NOT credited to account	6,700	5,000	12,000	-300	2,000

Horizon	Yearly	Seasonal	Monthly	Short-term
Value of awarded capacity to be paid in the next invoicing process	2,000	0	500	800
			Total	3,300

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In any case If the balance is not sufficient to cover an invoice, the participant is exposed to a risk of collateral and payment incident.

➤ Slide 14

Why did the system not allocate any capacity to this participant on the AT-IT auction?

When placing a bid, the system checks the potential liabilities of this bid against the credit limit, if the credit limit is not sufficient to cover the bid(s), a warning is displayed in the acknowledgment document.

When **BID 1** was placed at 13:00, the credit limit was sufficient to cover the BID VALUE since BID 2 did not exist yet. Therefore, no warning was generated.

When **BID 2** was placed, the system calculated the participant’s potential exposure. Since there was already a bid valued at 172,800 on the AT-IT auction (BID 1), the system generated a warning in the ACK file stating that the credit limit is not covering these bids (BID 2). Indeed the potential exposure of both bids exceeds the credit limit.

At 14:00 when the AT-IT auction closed, the system could not allocate any capacity to the participant although the clearing price was lower than the bid price. The credit limit was still not sufficient due to the ongoing bids on FR-IT auction.

At 15:00 when the FR-IT auction closed the potential liabilities of BID 2 was exceeding the credit limit. Therefore, the system excluded the bid with the lowest bid price (20MW @ EUR 10) and started over the iteration process.

The last two bids were allocated since their values was lower than the credit limit.

This participant’s final liabilities are 15MW + 8 MW @ EUR 10. The credit limit is updated with these final liabilities.

Image 8

BID TIME	BID	QTY	PRICE	BID VALUE	BORDER	CLOSURE	CLEARING PRICE	ALLOC	ACK
13:00	BID 1	30	8	172,800	AT-IT	14:00	7	0	No warning
13:30	BID 2	20	10	144,000	FR-IT	15:00	10	0	Warning
13:30	BID 2	8	15	86,400	FR-IT	15:00	10	8	Warning
13:30	BID 2	15	14	151,200	FR-IT	15:00	10	15	Warning
CREDIT LIMIT	300,000								