

0568:

Mod Title: Security Requirements and Invoice Payment
Settlement Cycle for the Trading System Clearer



Proposer: ICE Endex – OCM Trading System Operator and Clearer

Panel Date: 19 November 2015

Why change?



- ICE Endex is designated by OFGEM and appointed by National Grid NTS as the Trading System Operator of the On-the-day Commodity Market (OCM). ICE Endex has currently designated APX Commodities Limited as Trading System Clearer to provide clearing services in relation to transactions resulting from trading on the OCM.
- On 24 November 2015, ICE will assume the role of Trading System Clearer. Pursuant to a service level agreement, ICE Endex will discharge its obligations as Trading System Clearer by relying on ICE Clear Europe Limited (ICE Clear) to provide clearing and settlement services. ICE Clear is a Recognised Clearing House under the UK's Financial Services and Markets Act 2000 and is subject to supervision by the Bank of England.
- The UNC requires a ICE Endex (as Restricted User) to provide "Security" i.e. letters of credit or cash by way of security for a User's indebtedness for Energy Balancing Charges in accordance with the Energy Balancing Credit Rules (EBCR).
- ICE Endex will not be able to comply with the requirement to provide Security as described above, as ICE Clear – not ICE Endex – holds collateral provided by members of ICE Clear. Although the obligation to provide security is on ICE Endex, as role of Trading System Clearer, the Proposer notes that ICE Clear is also unable to use the collateral provided by its members to provide the Security due to restrictions under applicable regulatory laws.
- As a result of (1) ICE Endex's inability to provide the Security as a result of not holding collateral provided by members of ICEU and (2) ICE Clear's inability to provide the Security as a result of regulatory restrictions, the amendments detailed below are necessary to ensure that ICE Endex is able to discharge its obligations as Trading System Clearer.

Solution



Allow NGG to modify or waive the Security Requirement

- Amend the wording contained in UNC TPD Section X.2.1 to remove the obligation on the Trading System Clearer to provide Security.
- This is conditional on the Trading System Clearer being a Recognised Clearing House, or having appointed a Recognised Clearing House to discharge its obligations under the UNC.

Reduce credit risk by shortening settlement cycle

- Change UNC TPD Section S.3.1 so to ensure that the Invoice Due Date does not apply in relation to Energy Balancing Invoices applied to a Trading System Clearer.
- Instead the applicable meaning of Invoice Due Date for the Trading System Clearer can be a shorter period as long as it is agreed upon with NGG, following consultation with the EBCC.
- It should be noted that only Market Balancing Actions contained within Energy Balancing Invoices for transactions concluded by NGG on the OCM are within scope of this amendment.

Recommended Steps



- The Proposer recommends that this modification should be:
 - Subject to self-governance, and
 - Workgroup, and
 - implemented as soon as possible and no later than 01 May 2016