

# Representation - Draft Modification Report 0569S

## Removal of the minimum security requirement from the Energy Balancing Credit Rules

Responses invited by: **11 February 2016**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Jen Randall
<b>Organisation:</b>	National Grid
<b>Date of Representation:</b>	11 <sup>th</sup> February 2016
<b>Support or oppose implementation?</b>	Comments
<b>Relevant Objective:</b>	d) Positive

### Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

National Grid NTS are not directly exposed to the risks inherent in this modification proposal and therefore remain neutral. There is a risk that reducing the minimum security requirement for new users may leave the market exposed to shipper default. However, any debt that arises in this situation would be smeared across the industry due to the neutrality mechanism. Therefore, National Grid NTS believe that it is shippers who should take the decision on this modification proposal as it is they who bear the risk.

### Self-Governance Statement: Please provide your views on the self-governance statement.

National Grid NTS supports that the modification should be self-governance.

### Implementation: What lead-time do you wish to see prior to implementation and why?

National Grid NTS are neutral as to the lead time prior to implementation and believe this is a question for shippers with it being they who are affected by these proposed changes.

### Impacts and Costs: What analysis, development and ongoing costs would you face?

National Grid NTS would not be subject to any additional costs as a result of this modification.

As stated in the Workgroup Report, the modification proposal would remove around £300,000 of security (around 0.1% of the total security in place). However, as the costs of energy balancing go through neutrality then this is a risk, and a potential additional cost, that the shipper community would bear.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

The legal text provided by National Grid NTS reflects the modification proposal. National Grid NTS are obliged to provide legal text based solely on the content of the modification proposal and therefore have removed the £10,000 minimum security payment.

National Grid NTS notes that the intent of the modification was to completely remove the minimum security requirement. The legal text has not been able to do this due to the subsequent changes to the Energy Balancing Credit Rules which introduced additional criteria to evaluate a new minimum security threshold.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No

**Please provide below any additional analysis or information to support your representation**

We note that the raising of this modification has highlighted that the process, as it currently stands, has allowed two changes to the same rule being initiated at the same time. This has caused some confusion with this modification.