

UNC Energy Balancing Credit Committee Minutes

Monday 30 October 2017

Xoserve Limited, Lansdowne Gate, 65 New Road, Solihull, B91 3DL

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
Helen Cuin (Secretary)	(HCu)	Joint Office	Non-Voting
Adam Lane	(AL)	Shipper	Voting Member
James Hill	(JH)	Shipper	Voting Member
Mark Cockayne	(MC)	Xoserve	Non-Voting
Pauline Babb	(PB)	Shipper	Voting Member
Richard Fairholme	(RF)	Shipper	Voting Member
Sallyann Blackett	(SB)	Shipper	Voting Member Alternate
Sandra Dworkin	(SDw)	Xoserve	Non-Voting

Apologies

Laura Dawson	(LD)	Shipper	Voting Member
Nicky White	(NW)	Shipper	Voting Member

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ebcc/301017>

1. Introduction and Status Review

BF welcomed the members to the meeting, which was quorate.

1.1 Apologies for absence

See above Table.

1.2 Note of Alternates

Sallyann Blackett for Laura Dawson.

BF confirmed the intention for LD to resign from the EBCC and for SB to replace LD.

BF suggested that the EBCC may wish to consider initiating a formal invitation to invite additional members from the UNC Election Single Point of Contacts (SPoCs), to formally appoint SB and encourage additional nominations for the committee.

Action EBC1001: Joint Office to invite EBCC member nomination via the UNC Election Process.

1.3 Approval of Minutes (25 September 2017)

The minutes were approved.

1.4 Review of Actions Outstanding

EBC 0501: Focus for 2017/18 - Xoserve to review risk register at the next face to face meeting.

Update: MC confirmed that this has been provided **Closed**.

EBC 0901: Xoserve to write out to all organisations to propose that the Neutrality Statements will no longer be sent out and will be made available online and to signpost where the information will be made available on the Xoserve website.

Update: SDw confirmed that a Change pack was presented to the Change Managers

Committee on 11 October 2017 for discussion before issuing to the Industry. There was a 10 day response time. Final approval will be requested at the Change Managers Committee on the 08 November 2017. If approved Xoserve will implement from 01 December 2017, and will be effective for the October EBI which is due to be issued 01 December 2017.
Closed.

2. Operational Update

SDw provided the operational report for September 2017.

2.1 Cash Call Notices

During September, there was 4 Cash Call Notices issued, which were all appealed and withdrawn.

2.2 Further Security Requests (FSRs)

During September, there were no Further Security Requests issued.

2.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
August 2017	98.78%	100%
September 2017	96.89%	100%
Rolling 12 Months	99.39%	100%

SDw confirmed that 1 invoice had been paid late due to a confusion over the payment date. This party will incur late payment charges for late recovery.

Annual Review

SDw went on to present the Committee with a 12-month review. SDw confirmed despite challenges in September 2017 cash collection statistics remain at over 99% on payment due date. The number of cash calls had increased however this was not representative as the figures included the IMS data anomaly in July 2017.

This system error had been identified and corrected, however it still skewed the figures.

SDw confirmed Xoserve have continued pro-active engagement with users reaching 70% of indebtedness to minimise Cash Calls. and that up front payment of Cash Calls limited to 3 times continued.

Levels of security have been dropping but parties are still adequately secured. Some with up-front payment. Security Renewals were reported at 100%; Letter of Credit Securities reduced by £37m and impact upon Cash Calls minimal.

A review of Cash Calls was provided and broken down, illustrating that volumes have not increased in proportion to the value which had reduced.

MC confirmed that UNC 0587 - Seasonal Energy Balancing Credit Cover, had introduced a seasonal service which currently one user is utilising.

Xoserve continue to work closely with organisations around renewals and the EBCC Rules last updated 01 May 2017.

The Credit team continue to be trained and continue with their Chartered Institute of Credit Management (CICM) training, and the team's CICMQ accreditation is being renewed. The credit team are undergoing a re-organisation, to best utilise team resources

Focus for 2017/18

MC highlighted the Membership reductions, noting the EBCC is somewhat a victim of its own success, with no major issues being raised thus not provoking much interest within organisations. However, meetings are only just remaining quorate with membership changes already a foot 1 month into the current year. He suggested more could be done to encourage new membership, such as the option of paying members or employing independent industry experts to attend.

BF challenged that if the committee failed to be quorate the Credit Management process would still carry on as it was National Grids obligation. MC explained the process run by the credit team and the ability to use discretion to offer additional 2-3 days which can provide a fine balance to a user staying solvent, these were the choices that EBCC could elect to use and which might prevent further costs being by the industry.

MC asked if there was any value re-considering a UNC Modification to push membership with different groups of customers. AL suggested considering a modification as a last resort having tried other avenues to encourage membership.

MC confirmed Xoserve will continue to work closely with organisations to ensure exposure is appropriately managed, with further team training and alignment of processes with credit teams working closer together.

MC confirmed that the General Ledger and Sales Ledger systems are being reviewed and replaced in the New Year, and Xoserve are looking at rationalising some of the Gemini processes.

Energy Balancing Security Review

MC provided a Financial Institution Risk Profile providing a chart to summarise the customer exposures to each rating category. In the last 12 months Xoserve have seen an increase of the FI's in the A+/A1 banding. MC provided a summary of the Current Outlook for Moodys and S & P. He explained the spread of FI exposure in aggregate by rating band and the Deposit Deed and LOC comparisons.

In summary, there was an overall Letter of Credit (LOC) decrease during the period September 2015-17 by £83m, this has been driven by a number of Users who have had their security reduced or opted for an alternative form of security. Deposit Deeds now represent 15% of the security held. The majority of the LOCs held are from FIs within the lower bands representing £212m, and those in the lowest end could withstand one rating downwards, Xoserve would continue to monitor.

MC introduced the Counterparty Risk Assessment (CRA), and explained the Moody's rating. The Counterparty risk was illustrated, with movement being very low, there was only 2 organisations currently underwritten which would be downgraded. MC summarised that there would be 4 upward, 7 same band, and 11 no change. If there was a move to the Counter Party Risk from a Moody's perspective there would be 2 organisations affected. The next slide compared the CRA against the IGR with 1 downgrade.

MC suggested it may be appropriate to engage with the affected parties to allow them to consider the changes and move away from their current provisions.

MC went on to provide the committee with a Risk Register presentation to explain how Xoserve rates the risks, the key controls and current open risks.

MC asked members for feedback on any items they believe are missing. SB suggested Xoserve may wish to consider a risk around the SAP replacement. MC clarified the changes for SAP will be for DSC and not energy balancing. However, Xoserve will be significantly involved in any system change testing and will continue to monitor system changes very closely. If there is a perceived risk relating to system changes this will be added to the risk register.

BF enquired about the impact if UIG and whether this ought to be added. MC clarified from a credit perspective Xoserve were not seeing any impacts of UIG, which he would expect to be highlighted if there was a major issue impacting invoice payments. What they do see is a proportion of users being cashed-out, but not a massive swing. He would have expected much more volatility. SB suggested if parties are buying the right amount of gas the DSC Credit Committee and EBCC may not see the financial impact.

It was suggested there may be a lack of understanding surrounding UIG and a misunderstanding of the lead times to let the new system to embed and adjust to the reconciliation turnaround.

BF stressed the issues being raised at UNC Panel. MC clarified he would have expected to see a spike in cash-calls but there are not any signals at the moment which would indicate a significant risk to EBCC.

3. Modifications

None.

4. Any Other Business

4.1 Voluntary Discontinuances

National Grid Gas LNG Manager, Shipper Short Code LNG

The voluntary discontinuance was approved.

4.2 Financial Intuitions

RF wished to ensure clarification had been provided by Xoserve that there was not a defined list of FIs. MC confirmed that the FIs are not restricted and this is noted in the EBCC statistics produced and published monthly.

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Time/Date	Venue
14:30 Monday 27 November 2017 (following the 14:00 Credit Committee)	Teleconference
14:30 Monday 18 December 2017 (following the 14:00 Credit Committee)	Teleconference

Action Table (as at 30 October 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
EBC 0501	22/05/17	5.0	Xoserve to provide a risk register.	Xoserve (MC/SD)	Closed
EBC 0901	25/09/17	4.2	Xoserve to write out to all organisations to propose that the Neutrality Statements will no longer be sent out and will be made available online and to signpost where the information will be made available on the Xoserve website. SD to	Xoserve (MC/SD)	Closed

Action Table (as at 30 October 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			provide update on Change Process.		
EBC1 1001	30/10/17	1.2	Joint Office to invite EBCC member nomination via the UNC Election Process.	Joint Office (HCu)	Pending