

Energy Balancing Credit Committee Minutes

Tuesday 23 February 2016

via Teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
Helen Cuin (Secretary)	(HC)	Joint Office	Non-Voting
David Holland	(DH)	Shipper	Voting Member
Gemma Truran	(GT)	Shipper	Voting Member
James Hill	(JH)	Shipper	Voting Member
Pauline Babb	(PB)	Shipper	Voting Member
Mark Cockayne	(MC)	Xoserve	Non-Voting
Sandra Dworkin	(SD)	Xoserve	Non-Voting

Apologies

Gavin Ferguson	(GF)	Shipper	Voting Member
Richard Fairholme	(RF)	Shipper	Voting Member

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ebcc/230116>

1. Introduction and Status Review

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

1.1 Approval of Minutes (19 January 2016)

Minutes from the previous meeting were approved.

1.2 Actions

EBC0101: MC to meet with the User who proposed the changes to EBCR to explain their options under the current arrangements.

Update: Xoserve Credit Team met with the User to discuss their proposals:

- i) Remove the requirement to lodge collateral for the MOD640 invoices as energy balancing invoices;
- ii) Reduce the period of peak indebtedness used to calculate the cash call limit from 12 months to 1 month.

As agreed at the January EBCC, Xoserve discussed the arrangements that could be considered within the current rules. The User's previous indebtedness calculation had not taken into account the previous Mod 640 values, and the User understood that following UK link replacement on 1/10/16 would bring about the last Mod 640 invoice.

The User was keen to discuss a seasonally adjusted secured credit limit, and discussions took place looking at their last 3 years usage. Xoserve and the User will continue to work together to manage a profile going forward.

The User was advised that if they still wanted to pursue their proposals then the Modification process was still available to them. **Closed.**

2. Operational Update

SD provided the operational report for January 2016.

2.1 Cash Call Notices

During January there was one Cash Call Notice issued and paid on the due date.

2.2 Further Security Requests (FSRs)

During January there were no Further Security Requests issued.

2.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
December 2015	100%	100%
January 2016	99.98%	100%
Rolling 12 Months	99.36%	100%

SD explained that there were was one 'Failure to Pay' notice issued during January 2016, for a small value, the customer had paid the money to the wrong account but this was resolved the following morning.

MC highlighted that Xoserve have been working closely with Users monitoring and reporting peak positions and encouraging payment upfront to avoid cash calls. MC explained that this approach makes it more difficult when renewing security as peak indebtedness is hidden by up front payments.

MC confirmed that Xoserve will continue to support the process and work with Users but wish to limit this support to 3 occasions to ensure Users get the correct level of security and become self sustainable. He acknowledged Users appreciate the support but the onus of monitoring exposure is for Users to undertake this role themselves, they should not be relying on Xoserve as a permanent mechanism.

3. Market Operator Security Requirements

MC confirmed that the migration will go live on 24 February 2016. He reported that everything is in place from a system perspective, ICE Endex Gas Spot Ltd (IEN) have access to systems and everything should be operable.

MC confirmed that there is one outstanding action in relation to the EBCR Cash Call Rule 305 process. The options are being worked on and a meeting is planned on the 03 March with National Grid NTS to go through the proposals. A further update will be provided on the preferred route in due course.

4. Modifications

4.1 Modification 0541A/B - Removal of uncontrollable UNC charges at ASEPs which include sub-terminals operating on a 06:00 - 06:00 Gas Day.

Available at: www.gasgovernance.co.uk/0541

MC advised that a ROM is being developed and that the impacts on credit have been identified and considered by the Workgroup. He advised an online solution would need to be developed due to the number of amendments/adjustments as these are expected to be up to 40,000 per month.

4.2 Modification 0555R – Review of the Market Operator (OCM) Provision.

Available at: www.gasgovernance.co.uk/0555

BF confirmed that the Workgroup Report is due to be concluded and presented to the March UNC Panel Meeting.

4.3 Modification 0568 - Security Requirements and Invoice Payment Settlement

Cycle for the Trading System Clearer

Available at: www.gasgovernance.co.uk/0568

MC advised that this modification was currently being consulted upon, the consultation closes on 10 March and the Final Modification Report is expected to be considered by the UNC Panel on 17 March. It was anticipated a decision from Ofgem could be made by the end of April in line with their SLA which is 25 Days.

MC confirmed Transporters would require at least one months notice to implement the required changes with the UK Link Committee.

Members discussed whether the EBCC should submit a representation confirming support for the modification. The committee believed the EBCC should not be prevented from making representations where this would add value to the process and when considering impacts on energy balancing and the associated credit arrangements. MC explained on some occasions the industry has welcomed a view from the EBCC and representations have been actively encouraged.

BF explained the EBCC is currently the only committee, which provides representations to consultations and an informal challenge has been made at the UNC Panel as to whether committees should be able to submit representations. BF explained that there is no specific rule within the Modifications Rules that committees should or should not submit representations.

The committee considered the potential for a conflict in views between the EBCC members view and individual organisations they work for. The members agreed to support a representation in support of Modification 0568. MC advised he would circulate a draft to members for their approval for submission in time for the 10 March consultation close out date.

Action 0201: UNC 0568 – Xoserve to circulate a draft response on behalf of the EBCC for Modification 0568.

4.4 Modification 0569S - Removal of the minimum security requirement from the Energy Balancing Credit Rules

Available at: www.gasgovernance.co.uk/0569

MC advised following UNC Panel consideration on 18 February 2016 this self-governance modification would be implemented on 11 March 2016 subject to no appeals being raised.

MC confirmed that the EBCC needed to approve the necessary changes to the EBCR. Due to the timing of the recent changes made to the EBCR and the modification being consulted upon, some refinements need to be made to ensure the final legal text aligns with the intent of the modification.

Xoserve have therefore suggested a redraft to the EBCR to remove the £10,000 security limit and to remove the secondary calculation implemented recently. SD confirmed that the proposed drafting had been provided to members for EBCR Section 2.1c.

The members unanimously approved the proposed changes to the EBCR and agreed the revised the EBCR is to become effective on 11 March 2016 in line with the implementation date for Modification 0569S and therefore unanimously approved reducing the standard notification period.

Action 0202: UNC 0569S – Xoserve to draft changes to EBCR and circulate to members for agreement.

5. Any Other Business

5.1 Proposed changes to Energy Balancing Credit Rules (EBCR)

MC advised that following changes to the EBCR and required changes under Modification 0569S there has been some confusion over the changes and challenges made about potential dual governance. MC explained a number of concerns have been raised about the EBCC making changes to the EBCR which may have impacted an inflight modification. MC clarified that the changes made to the EBCR was an intermediary step in response to a legitimate request, which was already in progress before the modification had been raised. This was deemed as an interim arrangement. The modification had been raised to make further stepped changes required to the EBCR and may or may not have been implemented.

MC confirmed following the changes there has been a request for the EBCC to review and provide assurance surrounding dual governance.

MC advised that RF had provided an update from UNCC and he had acknowledged the concerns raised. He believed the EBCC should consider in the future whether EBCR changes should be enacted when a UNC modification is also being considered on the same section of the rules.

BF suggested that the EBCR needed to be clear on how changes will be managed when there is a UNC modification. However, the EBCC should not be prevented from making changes in respect of urgent situations to protect the industry.

Members recognised the issues raised but agreed the committee should not lose the ability to make amendments to the EBCR which may be required from time to time.

MC suggested further clarity could be added to the EBCR to ensure the EBCC acknowledge and assess the impact of any UNC modification and actively consider delaying non-urgent changes to the EBCR whilst a UNC modification is properly assessed. In addition National Grid NTS or Users members could raise an alternative modification if required so that a number of solutions to amend the EBCR could be explored using the Modification process.

PB also suggested that the EBCC minutes should clearly record and document and conflict/impact assessments.

BF explained that the Joint Office at the request of the UNCC is providing visibility reporting on a quarterly basis and amendments not impacting modifications can be notified to the UNCC through that process or reports submitted confirming modifications were being considered and seeking advice from the UNCC if they were to conflict with a proposed change to the EBCR.

MC agreed to provide the proposed draft changes to the EBCR along with the changes required for Modification 0569S.

5.2 Voluntary Discontinuances

MC provided the details of four Voluntary Discontinuances:

Sutton Bridge Transaction Ltd, Shipper Short Code: EDT

Det Norske Oljeselskap AS, Shipper Short Code: MAR

Phillips 66 Trading Ltd, Shipper Short Code: PHL,

DB Energy Commodity Ltd, Shipper Short Code: DBE,

The committee members approved all Voluntary Discontinuances.

5.3 EBCR Peak Exposure

MC explained he had received a challenge from a User renewing security. He explained the potential need to change the EBCR Section 2.1c as Xoserve were receiving more challenges from organisations for the current peak exposure calculation for the previous 12 months. This is largely due to the change in average SAP and gas prices. Xoserve

proposed that the calculation should consider percentage movements for both SAP price and portfolio changes and be able to take action on scaling the credit requirement in line with any trends.

MC proposed to undertake more analysis and draft the changes for the EBCC to consider at the next meeting.

Members supported the principle change and agreed to consider next month.

Action 0203: EBCR Peak Exposure - Xoserve to undertake more analysis and draft changes to consider at the next EBCC meeting.

6. Diary Planning

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

EBCC meetings are scheduled as follows:

Time Date	Venue
10:30 Monday 21 March 2016	Teleconference
11:00 Monday 25 April 2016	31 Homer Road, Solihull
10:30 Monday 23 May 2016	Teleconference
10:30 Monday 27 June 2016	Teleconference
10:30 Monday 25 July 2016	Teleconference

Action Table (23 February 2016)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 0101	19/01/16	6.1	MC to meet with the User who proposed the changes to EBCR to explain their options under the current arrangements.	(MC) Xoserve	Closed
EBC 0201	23/02/16	4.3	UNC 0568 – Xoserve to circulate a draft response on behalf of the EBCC for Modification 0568.	(MC) Xoserve	Pending
EBC 0202	23/02/16	4.4	UNC 0569S – Xoserve to draft changes to EBCR and circulate to members for agreement.	(MC) Xoserve	Pending
EBC 0203	23/02/16	5.3	EBCR Peak Exposure - Xoserve to undertake more analysis and draft changes to consider at the next EBCC meeting.	(MC) Xoserve	Pending