

0587:

Seasonal Energy Balancing Credit Cover



Proposer: Opus Energy

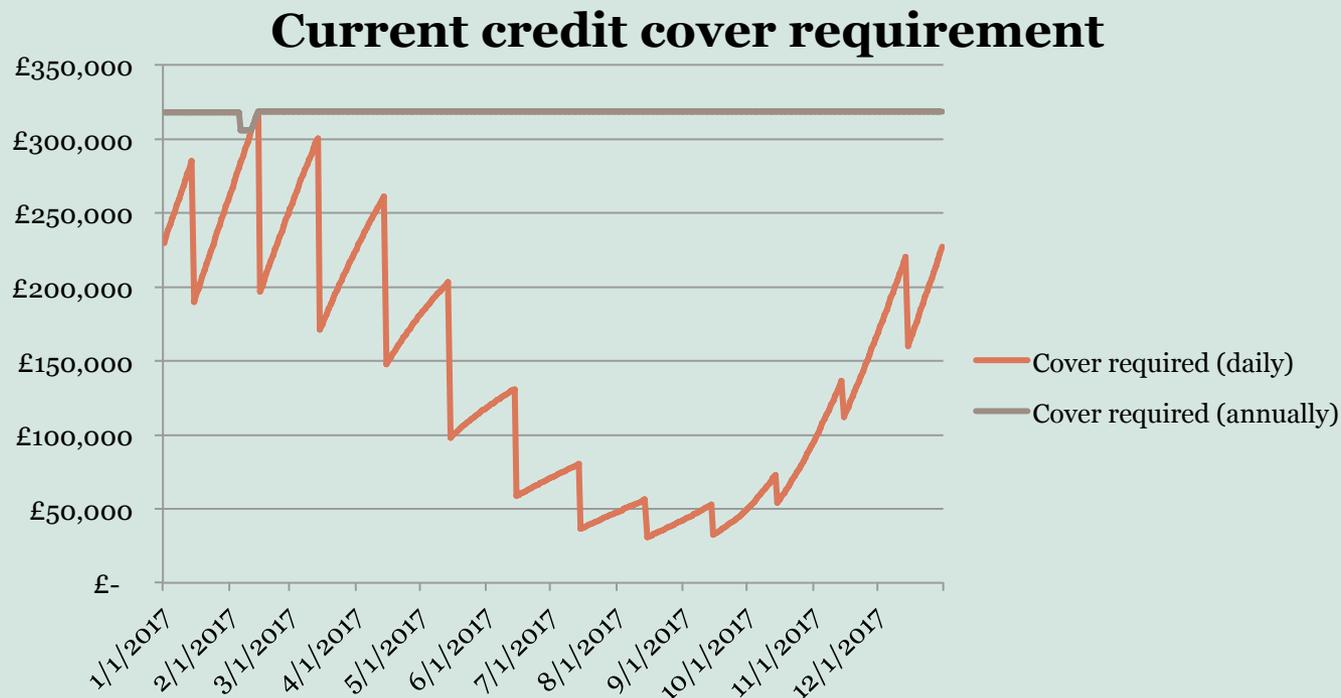
Panel Date: 16/06/16

Why change?



- Energy balancing credit cover is for last 45-75 days balancing costs and must be lodged in cash or letter of credit
- Cash call limits set at 75% utilisation of peak indebtedness over the last 12 months. (EBCR clause 2.1c)
- Total system, and many users of it, have a large amount of seasonal variation in demand
- More demand means a higher likelihood of larger balancing indebtedness
- Therefore many users over collateralised in Summer months

Figure 1: Current requirement



Large gap between code requirement and actual exposure outside of winter

Taking a nominal shipper on single band 1 profile, 100,000 MPANs, 5% short, 10,000 AQ, SAP 1.2 p/KWh, maintaining 70% indebtedness. Excludes affect of weather and MOD640

Options



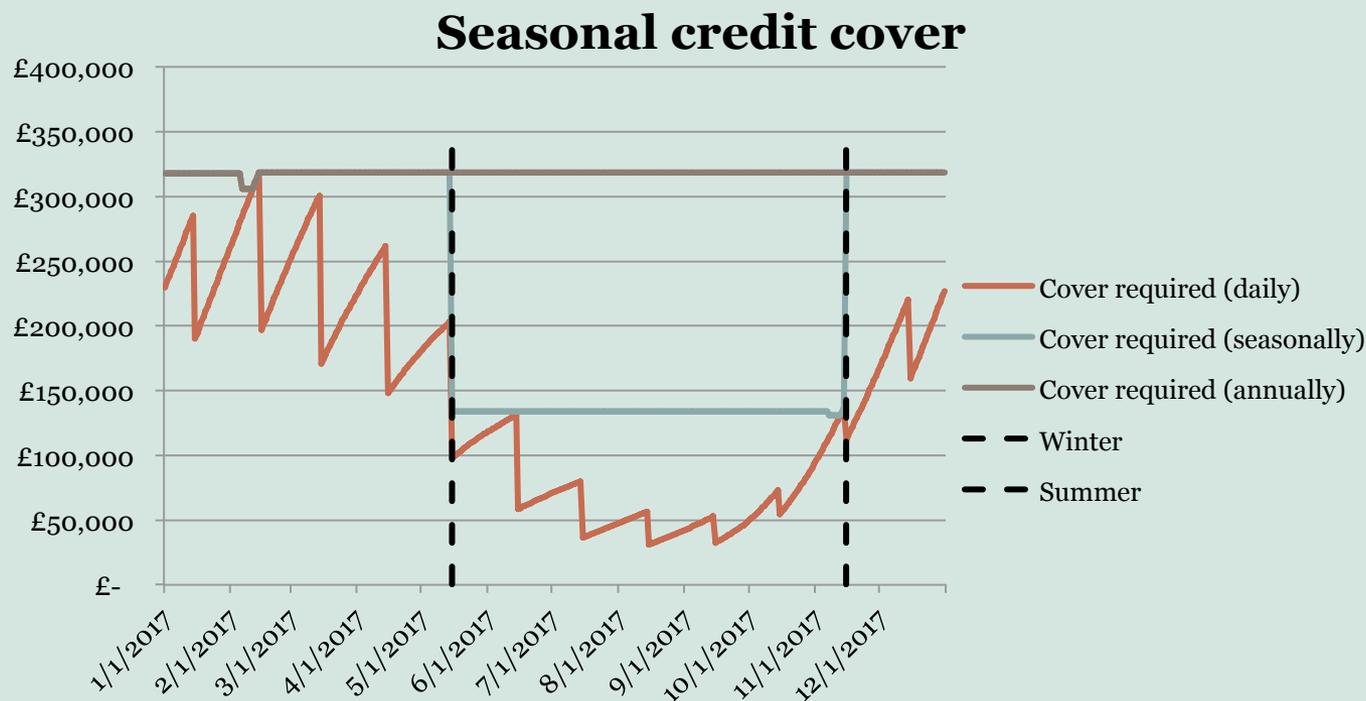
- Informal discussions were had with the EBCC. As this is a material change they felt a modification would be required
- Discussions at the pre-modification stage over a possible second solution, which would have been more complex
- There were no real preferences expressed and therefore the simplest has been chosen

Solution



- Annual requirement would only consider days which are within the same type of season.
- Season boundaries at mid-Nov and mid-May
- Simplest solution to solve majority of defect
- Positive against objective d) – effective competition
- To clarify, no change to requirement to lodge cover to current exposure (UNC TPD X 2.2 & 2.3.5 (a))
- Therefore cannot make a user short on cover at a given point in time, which would be a risk to other shippers

Figure 2: Proposed requirement



Large gap between code requirement and actual exposure outside of winter

Taking a nominal shipper on single band 1 profile, 100,000 MPANs, 5% short, 10,000 AQ, SAP 1.2 p/KWh, maintaining 70% indebtedness. Excludes affect of weather and MOD640

Recommended Steps



- The Proposer recommends that this modification should be:
 - Not subject to self-governance because there could be a material impact on competition
 - Workgroup assessment to develop the modification for 3 months