

UNC Energy Balancing Credit Committee Minutes
Wednesday 23 February 2022
via Microsoft Teams

Attendees

Yvonne Reid-Healy (Chair)	(YRH)	Joint Office	Non-Voting
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office	Non-Voting
Sharon Bright	(SB)	Xoserve	Non-Voting
Brendan Gill	(BG)	Xoserve	Non-Voting
David Gard	(DG)	Teneo (Bulb Energy Administrators)	Non-Voting
Toby Skailes	(TS)	Teneo (Bulb Energy Administrators)	Non-Voting

Voting Members Shippers

David Holland	(DH)	ScottishPower
Dan Wilkinson	(DW)	EDF
Jane Morrison	(JM)	SSE
Kirsty Dudley	(KD)	E.On
Steve Mulinganie	(SM)	Gazprom
Thomas Grove	(TG)	Centrica

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ebcc/230222>

1. Introduction

Yvonne Reid-Healy (YRH) welcomed all representatives to the meeting.

1.1. Apologies for absence

None

1.2. Note of Alternates

None

1.3. Quoracy Status

YRH confirmed the meeting was quorate.

1.4. Approval of Minutes (13 December 2022)

The minutes of the previous meeting were approved.

1.5. Approval of Late Papers

There were no late papers to consider.

2. Bulb Energy Administrator Update

David Gard (DG) introduced himself, providing a brief overview of what Teneo are doing at the administrators for Bulb,

DG noted they are currently engaging with a number of parties with a view to sell the business. Lazard has been appointed and is leading the discussions to facilitate the sale.

Brendan Gill (BG) asked if there was a timescale within which the sale was likely to take place. DG explained he was unable to comment on this beyond noting that a level of funding has currently been agreed with the Government in order for Bulb to continue operating. DG added that beyond this was difficult to state how long the process may take.

DG noted that with the current issues it was challenging to continue to fund the business, however, at present the business was stable and operating normally under oversight whilst the administrators explored the best long-term home for customers.

BG asked if DG could provide further updates to the Committee as things progressed. DG agreed with the request.

3. Operational Update

3.1. Energy Cash Collection

Sharon Bright (SB) reported that the Cash Collection target was achieved by Payment Due Date for November, December and January

Month	Payment Due Date	Payment Due Date + 2	Failure to Pay Notices Issued
November 2021	95.72%	96%	5
December 2021	99.66%	100%	6
January 2022	98.42%	100%	8

SB explained that:

- The dip in November was due to a Shipper exit resulting in an unpaid invoice.
- Failure to meet target of 100% at PDD+2 for November was due to one invoice remaining unpaid following their managed exit.

3.2. Cash Calls

SB confirmed that during:

- **November 2021** there were thirty six (36) Cash Call Notices issued, with a total value of £30,032,000.
- **December 2021** there was seventy two (72) Cash Call Notice issued, with a total value of £30,901,000.
- **January 2022** there were fifty one (51) Cash Call Notices issued, with a total value of £33,149,000.

3.3. Historic Debt

SB presented an overview of the Energy Debt between 2018-2022, with a total value of £24,779,430.41.

3.4. Debt Smear History

SB presented an overview of the debt smear history over the last 12 months and a view of the upcoming debt smeared across the industry.

Steve Mulinganie (SM) asked how this was being shared so people were aware of what to expect. BG explained that this information had been shared at the DSC Contract Management Committee. SM suggested this should be shared much more broadly to ensure the entire industry is aware of the upcoming costs.

Jane Morrison (JM) agreed with this view and stated the information should be highlighted to the industry.

BG accepted this and stated he would circulate the information to all Contract Managers and provide a monthly update going forward which can be shared with the industry.

New Action 0201: Xoserve (BG) to circulate the Upcoming Debt Smear to all Contract Managers and will be providing a monthly update on this topic.

YRH asked why some of the failed User's debt was £0.00. BG explained these User's had collateral against which their debts had already been settled.

JM requested for a view of the smear history, upcoming smear as well what has been recovered at the next Committee meeting. JM added that it would be helpful to have a metric of percentage of clawback amount, even if it was 0. SB agreed that this could be provided.

SB highlighted that one of the oldest debts was with UPB and nothing had been recovered from them, noting that she would chase them more frequently, although she had been doing so monthly.

New Action 0202: Xoserve (SB) to provide a view of clawback debt smear amount.

Thomas Grove (TG) stated there needs to be clarity of what the smear has been over the years and what amount is left to be smeared in the future. SB accepted this noting she would add a column to show this.

SM agreed adding that it was key to know what has been smeared or recovered and what the risk is for what is left to be smeared to prepare for the rest of the year.

3.5. Security

SB advised all securities had been renewed ahead of expiry and no bank downgrades or credit agency alerts had been received which required any action.

3.6. Terminated Shipper Update

SB explained that nine Shippers have been terminated since 2018 and five Shippers terminated in the last quarter with a total debt of £24,779,430.41 which is being pursued through appointed administrators via regular updates. Furthermore, the Debt would be smeared (via Energy Balancing Invoices) 2 months after invoice due date to the community.

As of 31 January 2022, there has not been any offer of settlement from the administrators.

3.7. Invoicing

SB noted as of 31 January 2022 the financial value for late paid charges accrued between November, December and January is a net of £1,267.86. To be issued in May 2022.

4. Energy Balancing Adjustments

SB advised National Grid have sent through a high volume of revised allocations for a number of Unique Sites resulting in a large energy difference.

Shipper Effected: 34

Billing methods: Various

Energy Difference (Kwh): 506,083,398

5. Financial Headroom Review

SB presented a review of the Financial Headroom, proposing to increase the limit. SB provided a brief background noting:

- Managed headroom availability was introduced following the Financial Crisis in 2008 when a number of Financial Institutions had their ratings downgraded.
- Headroom has been determined historically by ratings outlook of financial institutions.
- Based on AA stable rating with no additional allowance for AAA organisations.

- Aggregate level was originally £250m but set at £62m in January 2009 following credit crunch and failure of Lehmans. Level set as not to impact existing Users and provided 20% headroom above highest Shipper security placed.
- Two Financial Institutions suffered downgrades since April 2020.
- Movement for other Financial Institutions however they remain in the same banding so no impact to users.
- Additionally, recently there have been requests to increase security for users already using some of these Financial Institutions.

Increase headroom proposal:

- Historically highest aggregate headroom of £62,000,000 was set to not impact existing Users and provided 20% headroom above highest Shipper security placed.
- Using this rationale and the highest credit limit of £80,000,000 the aggregate credit limit could increase to £96,000,000.
- That would increase availability in 5 Financial Institutions.

TG asked what would happen if a bank was downgraded, in spite of holding a letter of credit. SB explained Users would be asked to move their letters of credit to another financial institution and this is why the ratings are checked daily to see if any of the institutions banding has moved.

SM noted it was good to know what the rules and arrangements were in this situation.

JM asked if an increase in headroom had a direct connection to credit worthiness.

SM said the proposal to increase headroom was proposing to add 20% to the at risk figure rather than the limit. SM asked where the figure of £62k as the highest aggregate had been derived from.

SB explained this was the highest limit in 2009 when the headroom was set. SB added she could not justify where the lower end number of £25k had been derived from.

David Holland (DH) noted that whilst he agreed in principle with the proposal, he would like to gain some additional clarity around it before approving it. TG agreed with this view.

JM also agreed but stated she needed to review the information provided, noting whilst she agreed with the proposal, she was unsure of the proposed methodology.

SM observed it was unlikely the Committee could make a decision on this as a further review was necessary. SB accepted this noting she can share the information with the Committee that she requires and set a date to review this topic.

BG added Xoserve would circulate the relevant material and a separate meeting would be arranged on 04 March 2022 at 9am for 30 minutes to discuss and seek the Committee's approval on the proposal.

6. Lessons Learnt from CNG Termination Process

BG provided a brief overview of the CNG termination, noting Users under the Deed of Undertaking are still not paying their outstanding bills and Ofgem are not enforcing the recovery.

BG advised that the Director of failed Users Acorn Peach Energy and UK Incubator has now applied for another new licence, which they are likely to get, although Xoserve has flagged them as a risk to Ofgem.

Kirsty Dudley (KD) asked whether the Committee's recommendations for market change are being ignored. BG agreed stating Ofgem as the regulator are not taking suitable enforcement action.

SM asked whether the termination of a User can be tied to the revocation of the licence.

JM suggested the Committee needed to lodge a formal concern. BG advised he had already done so but stated he would draft another email to send to Ofgem.

SM suggested the Committee needs to flag loopholes which are allowing some Users or individuals to take advantage of the Market and needs a tool which the Committee is currently lacking to ensure there is a strong threat to deter them.

BG noted he was concerned UK Incubator were rejoining the market and would struggle again, suggesting Ofgem’s focus needed to be on the Shippers not just the Supplier.

BG stated he would set up a meeting with the Committee and Ofgem and to flag these concerns.

7. Modifications

No Modifications raised.

8. Review of Outstanding Actions

Action 1201: Xoserve (SB) to start monthly escalation of debt with administrators of terminated Users starting from January 2022.

Update: SB advised she has been doing this. **Closed**

Action 1202: Xoserve (SB) to review headroom availability, credit scores and increased securities for financial institutions to present at the next Extraordinary EBCC (17 December 2021).

Update: This was covered under Agenda item 5.0. **Closed.**

Action 1203: Xoserve (SB) to invite Ofgem and Bulb Energy’s Special Administrators to attend the Q1 2022 EBCC.

Update: BG advised Ofgem were invited but they chose not to attend. **Closed.**

Action 1204: Xoserve (SB) to liaise with the REC to see if there is opportunity to improve the supplier requirements where there is a Deed of Undertaking in place and to support governance process.

Update: BG explained he has been liaising with Jon Dixon at REC and a review of the Deed of Undertaking is due to take place in March. **Closed.**

Action 1205: Xoserve (SB/BG) to tidy the Deed of Undertaking and review its governance process and report to the Committee at the 2022 Q1 EBCC meeting.

Update: BG noted the Deed of Undertaking document is owned by the Transporters. Any areas that could be amended has been highlighted and Transporters have been asked to review the suggested amendments. BG added this is therefore still in development with a further review to take place in Q2 2022. **Carried Forward.**

9. Key Messages

It was agreed that there are no ‘Key Messages’ for dissemination after the meeting.

10. Any Other Business

None.

11. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
Wednesday 23 February 2022 10:30	Teleconference	Standard agenda items, plus

Action Table (as at 23 February 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Due Date	Status Update
1201	13/12/21	2.4	Xoserve (SB) to start monthly escalation of debt with administrators of terminated Users starting from January 2022.	Xoserve (SB)		Closed
1202	13/12/21	2.5	Xoserve (SB) to review headroom availability, credit scores and increased securities for financial institutions to present at the next Extraordinary EBCC (17 December 2021).	Xoserve (SB)		Closed
1203	13/12/21	3.0	Xoserve (SB) to invite Ofgem and Bulb Energy's Special Administrators to attend the Q1 2022 EBCC.	Xoserve (SB)		Closed
1204	13/12/21	3.0	Xoserve (SB) to liaise with the REC to see if there is opportunity to improve the supplier requirements where there is a Deed of Undertaking in place and to support governance process.	Xoserve (SB)		Closed
1205	13/12/21	3.0	Xoserve (SB/BG) to tidy the Deed of Undertaking and review its governance process and report to the Committee at the 2022 Q1 EBCC meeting.	Xoserve (SB)	Q2 25/05/22	Carried Forward
0201	23/02/22	3.4	Xoserve (BG) to circulate the Upcoming Debt Smear to all Contract Managers and will be providing a monthly update on this topic.	Xoserve (BG)	Q2 25/05/22	Pending
0202	23/02/22	3.4	Xoserve (SB) to provide a view of clawback debt smear amount.	Xoserve (SB)	Q2 25/05/22	Pending