

UNC Energy Balancing Credit Committee Minutes
Wednesday 24 August 2022
via Microsoft Teams

Attendees

Yvonne Reid-Healy (Chair)	(YRH)	Joint Office	Non-Voting
Karen Visgarda (Secretary)	(KV)	Joint Office	Non-Voting
Sharon Bright	(SB)	Xoserve	Non-Voting
Brendan Gill	(BG)	Xoserve	Non-Voting

Voting Members Shippers

Dan Wilkinson	(DW)	EDF
Jane Morrison	(JM)	SSE
Kirsty Dudley	(KD)	E.ON

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ebcc/240822>

EBCC meetings will be quorate where there are at least 3 voting members, or appointed alternates in attendance.

1. Introduction

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

1.1. Apologies for absence

Steve Mulinganie, SEFE Energy

1.2. Note of Alternates

None

1.3. Quoracy Status

YRH confirmed the meeting was quorate.

1.4. Approval of Minutes (25 May 2022)

The minutes of the previous meeting were approved.

1.5. Approval of Late Papers

There were no late papers to consider.

2. Operational Update

2.1. Energy Cash Collection

Sharon Bright (SB) presented the EBCC Operational Statistics.

For full details please refer to the May and June Scorecards published. The July information:

Cash Collection:

Cash collection targets of 98% at Payment Due Date for May, June and July were achieved however one user failing to pay their invoices by Payment Due Date +2 had caused a dip in performance.

Security:

100% securities renewed without issue over the last quarter.

19 cash calls issued in May, 11 in June and 13 in July..

No bank downgrades or credit agency alerts requiring action.

Debt:

1 Supplier acting under Deed of Undertaking exited from industry following legal action

Debt being pursued for 21 failed users (shippers & suppliers failed while operating under the Deed of Undertaking) totalling £70,783,376.30.

Debt smeared to community via Energy Balancing Invoicing.

Net value of £4,986,790.95 smeared to industry in July 2022.

SB additionally shared a view of the upcoming debts to be smeared across the industry and SB agreed in future, to re-order the data into current debt position in line with the Shipper Short Code. SB also noted the gas price increase and stated on 25 August 2021 it was 114.44p/thm opposed to now, which was 499.99p/thm so a substantial increase. SB said this coupled with the impact of the Ukraine invasion in February, added to the increased prices from March 2022 onwards,

A general discussion took place about the increasing price per therm and how the industry was being monitored and whether the Offtake MERs were also encompassed into these monitoring reports. BG confirmed that all areas were monitored daily and that he was in regular contact with the Xoserve invoicing team to ensure any action needed could be undertaken in an expedient manner.

BG also confirmed from a resourcing perspective, knowledge transfer training had taken place between DSC and the Energy team to enable a ramp up/swap of resources if required.

BG advised that the Energy Team were in regular contact with Ofgem and shared the smearing data so that Ofgem were fully aware of the status, especially regarding suppliers of concern. BG proposed to book in 'place holder - hot spot' meetings from October onwards to ensure that a meeting could take place if needed, all agreed this was a sensible approach.

New Action 0801: Xoserve (BG) to propose some 'place holder hot spot' meeting dates from October onwards to include Ofgem attendance.

For a detailed update, please refer to the published slides on the meeting page.

Escalations:

Updates shared to committee following exit from failed supplier.

Invoicing:

Late payment charges accrued in July net total £801.50 which will be invoiced in January 2023 via Energy Balancing.

No invoicing issues reported.

Outlook:

Continuing to monitor financial institutions providing security and individual organisations through credit agencies.

SB confirmed that regular conversations were taking place with customers who took on (Supplier of Last Resort (SoLR) accounts with regards their forecasting for 2022 and the winter period, and where applicable, their customers were increasing their securities to allow for more of a buffer.

LDZ Measurement Error

SB explained that she had received notification from the Offtake Arrangements Workgroup that a large LDZ Measurement Error identified in Alrewas (EM) was likely to be included in the September invoicing. SB noted that a further error had also been identified in Thornton Curtis (EM) and this was likely to take 6 -8 months until it reached the invoicing stage, due to the need for two independent experts to assess the error. SB confirmed these charges would be invoiced via an Amendment invoice.

YRH asked in relation to the MER invoice whether this could be deferred, to assist the overall situation. Kirsty Dudley (KD) explained the invoice in question had originally been billed at the start of the year with an April payment date, hence the need to get it resolved prior to the end of September or the end of October at the latest.

For more information regarding the Alrewas and Thornton Curtis errors please see the Offtake Arrangements meeting pages via the links below:

Alrewas Error - <https://www.gasgovernance.co.uk/OA/270722>

Thornton Curtis Error - <https://www.gasgovernance.co.uk/OA/240822>

Neutrality Bank Account

BG provided an overview of the Neutrality Bank Account as detailed below:

- *Account used for credits and debits relating to Energy Balancing (in line with billing calendar)*
- *Payment of trades to/from market operator (ICE) settled within 2 days of trading day.*
- *Shortfall in account due to Shipper/Supplier failures and lag between debt occurring and debt recovered from industry.*
- *£10m agreed overdraft facility fully utilised with Barclays.*
- *£10m 'top up' by National Grid on 17th June 2022.*
- *Account currently in region of £6.5m credit (16/08)*
- *Suggest 1 month rather than 2 months before debt process commences*

BG explained that there were several suppliers failing and so the neutrality bank account had been topped up by National Grid and the overall amount in the account as of 24/08/22, was £23.7m.

BG noted that if a supplier did not pay as per the process, there was a two month wait period for payment. BG proposed if a wait period of only one month was a possible solution. The general consensus was that in the current climate, a one month wait period was not appropriate and would require in depth discussions with the industry.

The EBCC also felt the £10m agreed overdraft was insufficient. BG explained that Barclays bank had refused to increase the overdraft limit despite being approached several times, and BG stated that if the bank account was not topped up by National Grid, this could cause extreme issues during the winter months. BG added that no discussion had taken place with National Grid as to what the overall ceiling was for the top up amount. BG advised that if the top up was undertaken by the industry Shippers instead, this would result in an industry change and would have to be changed via a new Modification and changes to the UNC would also be required. BG noted that he would continue to communicate the status with the Committee members moving forward.

For a detailed update, please refer to the published slides on the meeting page.

CNG Portfolio Update

BG explained there were now only 30 Meter Points left to transfer and that the very good progress had been made and that the average Cash Out per day was now £237.84.

For a detailed update, please refer to the published slides on the meeting page.

3. Modifications

No Modifications raised.

4. Review of Outstanding Actions

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

Update: BG confirmed this action could be closed as the amendment to Business Days had now been completed. **Closed.**

Action 0501: Xoserve (BG) to collate a narrative on all failed Users with information on why they had failed and how the matter had been progressed to capture some context behind the debts being smeared.

Update: SB presented the documentation concerning the failed Users and drew attention to specific areas that were an issue, and SB provided an update of the status. All agreed this was useful and comprehensive and the action could be closed. **Closed**

Action 0502: Xoserve (BG) to liaise with Ofgem and raise the concerns brought forward by EDF as well as the level of debt month on month, so Ofgem have visibility of the debt being smeared.

Update: BG confirmed that regular communication channels were now established with Ofgem and that Ofgem were fully aware of the amount of debt being smeared each month. The action was then closed. **Closed**

5. Key Messages

It was agreed that there were no 'Key Messages' for dissemination after the meeting.

6. Any Other Business

6.1. Future EBCC meetings duration

A brief general discussion took place in relation to increasing future EBCC meetings from 1 hour to 1.5 hours. It was agreed as there were likely to be more meetings scheduled during the winter months to leave the time duration to 1 hour.

7. Next Steps

Agenda items for next month

8. Diary Planning

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

Time / Date	Venue	Workgroup Programme
10:30 Wednesday 23 November 2022	Microsoft Teams	Standard agenda items

Action Table (as at 24 August 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Due Date	Status Update
1205	13/12/21	3.0	Xoserve (SB/BG) to see if transporters can review and update the Deed of Undertaking and review its governance process and report to the Committee at the 2022 Q1 EBCC meeting.	Xoserve (SB)	Q3 24/08/22	Closed
0501	25/05/22	2.1	Xoserve (BG) to collate a narrative on all failed Users with information on why they had failed and how the matter had been progressed to capture some context behind the debts being smeared.	Xoserve (BG)	Q3 24/08/22	Closed
0502	25/05/22	3.0	Xoserve (BG) to liaise with Ofgem and raise the concerns brought forward by EDF as well as the level of debt month on month, so Ofgem have visibility of the debt being smeared.	Xoserve (BG)	Q3 24/08/22	Closed
0801	24/08/22	2.1	Xoserve (BG) to propose some 'place holder hot spot' meeting dates from October onwards to include Ofgem attendance.	Xoserve (BG)	October 2022	Pending