

Energy Balancing Credit Committee Minutes
Monday 21 September 2015
via Teleconference

Attendees

Les Jenkins (Chair)	(LJ)	Joint Office	Non-Voting
James Hill	(JH)	Shipper	Voting
Karen Visgarda (Secretary)	(KV)	Joint Office	Non-Voting
Mark Cockayne	(MC)	Xoserve	Non-Voting
Pauline Babb	(PB)	Shipper	Voting
Sharon Farby	(SF)	Shipper	Voting
Gemma Truran	(GT)	Shipper	Voting
Sandra Dworkin	(SD)	Xoserve	Non-Voting
Gavin Ferguson (Voting alternate for Richard Fairholme)	(GF)	Shipper	Voting
Tom Farmer	(TF)	Ofgem	Non-Voting
Pieter Schuurs	(PS)	ICE Endex	Non-Voting
Paul Swann		ICE Clear Europe	Non-Voting
David Peniket	(DP)	ICE Futures Europe	Non-Voting
Gordon Bennett	(GB)	ICE Endex	Non-Voting
Egbert-Jan Schutte-Hiemstra	(EJSH)	ICE Endex	Non-Voting

Apologies received

Richard Fairholme	(RF)	Shipper	Non-Voting
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1. Introduction

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

2. Market Operator Security Requirements

LJ explained to the members that ICE Endex wanted to provide an overview of their proposed security requirements, in order to ensure all Committee members had full comprehension of the operating process.

EJSH explained that the Questions and Answers documents had been completed inline with the UNC stipulations. EJSH then provided a brief background overview of the ICE Endex Corporation together with its operating procedures. EJSH stated the aim of the proposal is to make all ICE Endex markets available on ICE's trading infrastructure and provide post trade services through ICE Clear Europe.

EJSH stated the main area for discussion was regarding the ICE Endex potential risk exposure, should ICE Endex default in anyway. EJSH explained that ICE Endex is part of the overall ICE Group and as such, has a very good track record with strict financial targets and is operating in the market with a £20 million security. EJSH stated that should there be any breach the Clearing Services would be upheld by ICE Europe, as was the case for ICE Endex.

EJSH stated that he was aware the Committee had concerns regarding the clearing process, and he wanted to assure the Committee members that any Cash Calls would

be dealt with immediately by ICE Endex and that the UNC rules would take precedence over the Clearing rules, and that ICE Endex wanted to raise a Modification to dis-apply the settlement cycle. PS stated that with regards to the clearing operations, currently ICE Europe is clearing 1 million transactions a day, across different financial markets, and as such, it has significant resources available to meet the financial obligations in the event of an insolvency issue.

GF stated he was pleased that a modification could be raised with regards to the Daily Settlement concern. LJ stated the modification process, including the development stage, would take at least 6 months. He then stated that due to the content of the modification, he would propose all Workgroups needed to see it, due to the level of risk to the industry.

General discussion took place regarding the modification process and the best approach for ICE Endex to adopt. It was discussed that the modification needed to address two areas, which were extensively one issue. These being the waiver that would become part of the UNC and that the need for an improvement for the market of a decrease in the settlement cycle. LJ proposed the modification should be produced in time for the November Panel meeting on 19 November 2015, with a cut off date of 06 November 2015, to allow a review of the content prior to the Panel day.

MC then proposed to the Committee members that following the discussions, what were the member's thoughts with regards to the proposed content of the modification. *(Prior to any voting discussions, all the Market Operator ICE Endex attendee's left the call)*

General discussion then took place amongst the Committee members regarding the potential risk and the need for ICE Endex (who the contractual agreement will be with) to focus on that specific part to of the overall ICE Group and not to keep focusing on ICE Europe. Committee members also discussed what would an acceptable exposure limit be, with regards to if ICE Endex were nearing a default situation. It was felt by the member's that this was needed, until the modification has been completed. MC outlined peak exposures dating back to 2005, and GF felt this amount was too high and proposed a limit. MC stated that the challenge will be to agree an appropriate limit that will allow operation where possible within the existing provisions of the code.

All Committee member's unanimously agreed that an emergency meeting was needed to discuss this proposal further and this meeting will be coordinated and minuted by Xoserve. The Proposal is as detailed below:

- Temporary suspension of the requirement for Security required to set the initial Secured Credit Limit to apply to ICE Endex, subject to:-
- Confirmation of appropriateness of the Clearing Service Agreement'.
- Establishment of a temporary limit triggering an urgent EBCC emergency meeting.
- ICE Endex undertaking to raising a modification no later than November 2015 for Panel to deliver the two changes.
- A waiver to be in place until 30 April 2016 unless otherwise determined by the committee.

All members unanimously agreed with the proposal as detailed above.

New Action 0901a: MC to coordinate the ~~extra-urgent meeting~~ further operational meeting with the Committee

New Action 0901b: Mmembers to feedback discussions following discussing the proposal with ICE Endex. (Rob Hill from Locus Energy to be invited to that

meeting, to present to Committee members regarding the minimum level of security, as per Action 0602)

3. Review of Minutes and Actions

3.1 Minutes

Minutes from the July meeting were approved.

3.2 Actions

Action EBC 1102b: Identify options for extending or enhancing EBCC membership. Include reviewing other UNC and non UNC committees/groups for ideas to expand membership.

Update: MC apologised that the final draft was not yet available and stated this would be presented at then next meeting. **Carried forward**

Action EBC 1102C: Increasing/promoting EBCC Membership - RF to write to appropriate industry trade associations.

Update: MC stated that RF had provided an update previously and had written to people with regards to the election, so this action could now be closed. **Closed**

Action EBC 0602: MC to investigate whether the minimum credit limit is appropriate for all parties.

Update: MC ~~reminded~~ updated the member's of ~~the content of the letter~~ a further email from Rob Hill at Locus Energy in relation to the minimum level of security that Locus Energy felt was a barrier for entry into the market. The Committee all felt that Rob Hill should be given the opportunity to put his case forward to the Committee and it was agreed that MC should invite him to the urgent meeting. Once that meeting has taken place, then further discussion will be needed. ~~Carried forward.~~ See new Action 0901. **Closed**

Action 0701: MC to circulate the new Credit Rules and members to respond by the end of August.

Update: MC stated this action could now be closed. **Closed**

Action 0702: MC to respond to the Customer regarding the Energy Balancing Credit Rules, explaining the matter is currently with the Legal Team.

Update: MC stated this action would be discussed further following the meeting when Locus Energy had presented their case in person. **Carried forward.**

4. Operational Update

MC provided the operation update for August

4.1 Cash Call Notices

During July there were no Cash Call Notices issued, during August there was 1 Cash Call Notice, which was subsequently appealed and withdrawn.

4.2 Further Security Requests (FSRs)

During July and August there were no Further Security Requests.

4.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
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July 2015	100%	100%
August 2015	99.90%	100%
Rolling 12 Months	99.52%	100%

No Notices of Failure to Pay Energy Balancing Invoice were issued during August.

5. Modifications

MC stated that Modification 0558 had been raised by RWE npower, and is looking to extend the settlement period to 30 days. This would increase the exposure by adding 18 days of exposure. LJ stated that at the September Panel, Modifications 0558 and 0557 were both deferred requiring more work and further development by the Proposer's.

LJ brought to the attention of the Committee members the fact that a Request Proposal 0555R has been raised which proposes to understand and develop stakeholder views on the issues highlighted in Ofgem's open letter of 12 June 2015** on the Market Operator (OCM – On-the-day Commodity Market). A workgroup report will be produced for Panel and, subsequently, National Grid will report to Ofgem. The Request will report to Panel on 21 April 2016 and the first Workgroup meeting will take place on 30 October 2015.

6. Bank Ratings

MC stated that Santander UK PLC is on a potential watch for down grade and the affected Users have been written to regarding this matter. MC explained that generally ratings are more stable and there is an increase of organization highlighted as potential rating up grades within the banking arena at the present time.

7. Any Other Business

MC explained that there have been no voluntary discontinuance's this month.

MC stated that the Barclays issue regarding the Russian element has now been resolved, as the sanctions have now been lifted from one organization. However, sanctions remain in place in regard to the new market entrant, MC advised that Xoserve are working with NG's Treasury team to open another account with HSBC to overcome these issues. MC further advised that Xoserve will be looking to reduce exposures to Barclays by moving some funds to HSBC.

MC explained that Xoserve are still working on the Neutrality Statements and these will be sent electronically in a couple of month's time.

MC confirmed that GDE will go live on 01 October 2015 and that the only area to introduce into the rules is regarding the suspension of the ~~SFR~~ FSR process. MC enquired as to Committee member's thoughts regarding documenting this in the Energy Balancing Credit Rules

All members unanimously agreed that MC should issue a revised draft document for consideration.

[Action 0901c: Review EBC Rules to introduce the suspension of the FSR process in the event of a GDE.](#)

MC explained that there are changes in Ice Endex's operating platform Xoserve have experienced issues with the receipt of MOS and MOT files and these should be received am each morning. MC advised that errors have an impact in UKLink and the LPA Files. MC stated the IS Operations Team have put in place additional checks and

validation to stop this affecting Users. MC also highlighted that Xoserve have recently identified differences with rounding, this is a known issue that ICE has communicated to the industry

8. Date of Next Meeting

An Operational Update will be circulated to members in October.

EBCC meetings are scheduled as follows:

Date	Location
Monday 16 November 2015,10:30	31 Homer Road, Solihull B91 3LT (combined October/November meeting)
Monday 21 December 2015,10:30	Via teleconference

Action Log – 21 September 2015

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 1102b	26/01/15	2.0	Identify options for extending or enhancing EBCC membership. Include reviewing other UNC and non UNC committees/groups for ideas to expand membership.	JO/Xoserve (BF/MC/SD)	Carried forward
EBC 1102C	30/04/15	2.2	Increasing/promoting EBCC Membership - RF to write to appropriate industry trade associations.	RF	Closed
EBC 0602	22/06/15	6.	MC to investigate whether the minimum credit limit is appropriate for all parties.	Xoserve (MC)	Carried forward Closed
EBC 0701	20/07/15	2.	MC to circulate the new Credit Rules and members to respond by the end of August.	Xoserve (MC)	Closed
EBC 0702	20/07/15	7.	AOB - MC to respond to the Customer regarding the Energy Balancing Credit Rules, explaining the matter is currently with the Legal Team.	Xoserve (MC)	Closed ref EBC0901
EBC 0901a 0901b	21/09/15	2.	a) MC to coordinate the extra urgent further operational meeting with the Committee. b) m Members to feedback discussions following discussing the proposal with ICE Endex. Rob Hill from Locus Energy to be	Xoserve (MC)	Pending

Action Log – 21 September 2015					
Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
			invited to that meeting, to present to Committee members regarding the minimum level of -security.		
EBC 0901c	21/09/15	7.0	Review EBC Rules to introduce the suspension of the FSR process in the event of a GDE.	All	Pending