

Energy Balancing Credit Committee Minutes
Monday 22 June 2015
By Teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office	Non-Voting
Karen Visgarda (Secretary)	(KV)	Joint Office	Non-Voting
Egbert-Jan Schutte-Hiemstra	(EJ)	Ice Endex	Non-Voting
Nazareen Mahomed	(NM)	Ice Endex	Non-Voting
Mark Cockayne	(MC)	Xoserve	Non-Voting
Sandra Dworkin	(SD)	Xoserve	Non-Voting
Pauline Babb	(PB)	Shipper	Voting
Sharon Farby	(SF)	Shipper	Voting
James Hill	(JH)	Shipper	Voting

Apologies received

Gavin Ferguson	(GF)	Shipper
Gemma Truran	(GT)	Shipper
Richard Fairholme	(RF)	Shipper

1. Introduction

BF welcomed the members, which was not quorate at its commencement and was only quorate during the presentation from ICE Endex.

Review of Minutes and Actions

1.1 Minutes

Minutes from the April and May meetings were approved.

1.2 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 advised this action is still being considered and a draft proposal is being prepared. This may include minimum membership numbers and remuneration, investigation of other groups and how they are recruited is being undertaken. The proposal will require support from members

Carried forward

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

Update: Action was not discussed.

Carried Forward

EBC 0401: Face to Face visits with the Xoserve Energy Balancing Credit Teams - Xoserve to make appropriate arrangements and communicate the details.

Update: MC asked if this action/meeting should be deferred to the November meeting, which would include any new members. Those present agreed it would be the most appropriate action.

Carried Forward

2. Operational Update

SD provided the operation update for April and May

2.1 Cash Call Notices

During April 2015 there were 3 Cash Call Notice issued, 2 were paid and 1 required a failure to pay notice to be issued and it was paid.

During May 2015 there were no Cash Call Notices issued.

2.2 Further Security Requests (FSRs)

There was 1 FSRs issued during April 2015.

No FSRs were issued during May 2015.

2.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
April 2015	100%	100%
May 2015	98.59%	100%
Rolling 12 Months	99.53%	100%

No Notice of Failure to Pay Energy Balancing Invoices were issued during April.

There were 4 Notice of Failure to Pay Energy Balancing Invoices issued during May. In all instances the invoices were paid the next day.

3. Market Operator update

Presentation by ICE Endex – Clearing Migration of ICE Endex Spot Markets.

BF confirmed to members that EJ and NM were attending for this agenda item only.

EJ provided the background of the ICE Endex Corporation and explained that they have been operating in the Commodity and Futures Markets for the past 3 years. 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.

NM provided an overview of the corporate development work undertaken regarding the migration of the Spot Market and ICE Europe divisions and stated that these are regulated in the UK by the Bank Of England. EJ overviewed the ICE Clear Europe Membership Model and explained the differences between the current APX model and the future ICEU model, with regards to the process and the relationships. MC asked if ICE Endex would still be the Trading System Operator in the new model. EJ explained that in the new model ICE Endex would be the Trading System Operator and Trading System Clearer, stating this model offers clearing services at an intermediate and direct clearing level, with a contractual agreement with the Clearing User.

NM then explained the stipulations required for an ICE Clear Europe Member. MC asked if there was a list of Clearing Members. NM confirmed there is a list available via the Commercial Representative contacts or listed on the website. MC asked what are the requirements for someone to become a Clearing Member. NM explained that all the criteria is listed on the ICE Endex website and that in general terms, a member must have a value of £20m of capital on their balance sheet, together with the specific technical, Assured Payment System (APS) and operational processes in place.

PB asked what percentage of Spot Participants who can't meet clearing membership requirements, do not have a relationship with a Clearing Member. EJ stated that only a few might have an existing relationship, but not many, approximately less than 10 are looking to clear out of 69 Spot Participants.

NM explained the specific formulas within the Risk Model in terms of the Lots Based Limit, Trading Day, Buffer Margins and Spot Trades and the re-set duration concerning trades received from the Clearing House. MC asked how long is the duration for a Margin Call. NM confirmed this was one hour with 15 minutes included in that time line to bring down the Margin Call. MC asked within the direct Clearing Model whether that calling is on the user. EJ confirmed that this was correct and that the entire exposure of that Clearing Member is analysed across all the markets. The Summary of Margins model was then overviewed and the impact on the OCM's, with regards to the process and Intraday Shortfall.

General discussion took place surrounding the Daily Settlement Cycle within the Gas Markets in Europe and the UK, specifically the 35 day Settlement Cycle. SF stated that this current cycle performs as a collateral which if this was to change would cause some concerns, and she asked what was the view point of other smaller Shippers regarding this matter. EJ stated that the 35 day Settlement Cycle is the only case in Europe to apply the Settlement Cycle on the System Operator. NM confirmed that ICE Endex has applied to the Bank of England for authorisation regarding

collateral, as ICE Endex do not accept Letters of Credit like APX do currently, and the Clearing Member will not be able to pass the Letter of Credit on to the Clearing Member. MC requested clarification that the Settlement Cycle with the Clearing Member was 35 days. NM explained that the Settlement Cycle with the OCM would be the same as the Clearing House and that the Clearing Member would therefore adopt the same cycle. MC stated that he understood the Clearing House would be M+35 days. A brief discussion took place regarding National Grids percentage volume of transactions on the market presently and EJ proposed that Xoserve and National Grid look at other System Operators at a broader level and requested further discussion to take place between ICE Endex, Xoserve and National Grid.

BF stated a decision would not be made on this matter today and that the Members needed time to discuss and digest the information that had been presented to them. MC and PB both agreed that they needed time to look at information in detail.

EJ explained the Delivery and Settlement process and overviewed the agreements between the Trading Members and the Clearing Members. The Implementation process was then explained by EJ with regards to market readiness and it was stated that Go Live is 16 July 2015, if the Clearing and Trading Members confirm they are able to adhere to this date. EJ stated there are rigorous governance processes in place and should both National Grid and Ofgem mutually decide the market is not ready, then this date will be put back.

MC raised concerns surrounding the changes, as Code Changes would have to be undertaken between Xoserve and National Grid regarding the Daily Settlement Cycle. EJ stated that these changes would reduce the risk for both Xoserve and National Grid. MC stated the Credit Rules that are already captured within the UNC Rules would also need to be investigated.

General discussion took place surrounding the possible amendments needed to the systems in relation to the Settlement Cycle and the fact that National Grid has to prove they are 'neutral' with regards to transactions, and there is the potential that the cash flow could be impacted.

New Action EBC 0601: MC to provide details of Daily transactions for the past 3 years to the committee and consider the impacts on the neutrality bank account.

4. Modifications

Not discussed.

5. Bank Ratings Review

Not discussed.

6. Any Other Business

6.1 Review of Energy Balancing Credit Rules for minimum security for balancing purposed of not less than £10,000.

MC gave an overview of a letter that had been received from a company

requesting a reduction of the security to £2,000 to allow them to enter the market as the existing minimum limit of £10,000 was considered prohibitive by the potential User. MC wanted the thoughts of the members regarding this request.

JH asked where the figure of £10,000 had come from initially. MC explained the committee had decided upon that specific figure previously. PB asked what would need to be done to allow this company to enter the market. MC said that there would have to be a decision to change the Energy Balancing Credit Rules and or members could agree to relax the rules for this party should they believe it was appropriate to do so.

PB asked that surely that would appear to be anti competitive, and JH commented that if one company had a special rule for them, it would not be fair for the rest of the industry. MC said for the company to enter with a reduced security then that would be a special case and possibly not appropriate.

PB said that she did not think £10,000 was a very high amount. MC explained that once the company has gone live there is no ability to limit the exposure and likewise, there is no way to limit their portfolio size or growth for Energy Balancing as such sanctions are within the remit of the respective Transporter. BF suggested a temporary reduction for the change to allow the company to go live and enter the market. MC stated this was not an ideal option as then parties could exit the market and their exposure may not be fully understood.

General discussion took place regarding this matter and it was agreed that MC should investigate this topic with the Legal Team from an anti competitive angle.

Members generally agreed that the security should not be reduced to £2,000 however this would be discussed further at next months meeting as the meeting was not quorate.

New Action EBC 0602: MC to investigate whether the minimum credit limit is appropriate for all parties. **Members to review decision at next meeting.**

7. Date of Next Meeting

EBCC meetings are scheduled as follows:

Date	Location
Monday 20 July 2015, 10:30	Via teleconference
<i>[Monday 24 August 2015, 10:30]</i>	Via teleconference
Monday 21 September 2015, 10:30	Via teleconference
Monday 16 November	31 Homer Road, Solihull B91 3LT (combined

2015,10:30	October/November meeting)
Monday 21 December 2015,10:30	Via teleconference

Action Log – Energy Balancing Credit Committee (22 June 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)	<i>Continuing</i> Carried forward
EBC 1102C	30/04/15	2.2	Increasing/promoting EBCC Membership - RF to write to appropriate industry trade associations.	RF	Carried forward
EBC 0401	30/04/15	6.	Face to Face visits with the Xoserve Energy Balancing Credit Teams - Xoserve to make appropriate arrangements and communicate the details.	Xoserve (MC/SD)	Carried forward
EBC 0601	22/06/15	4.	MC to look at Daily Settlements for the past 3 years and the impacts on the Trading and Clearer Systems.	Xoseve (MC)	Pending
EBC 0602	22/06/15	6.	MC to investigate whether the minimum credit limit is appropriate for all parties.	Xoserve (MC)	Pending