

## Energy Balancing Credit Committee Minutes

Monday 25 April 2016

31 Homer Road, Solihull, B91 3LT

### Attendees

Bob Fletcher	(BF)	Joint Office	Non-Voting
Karen Visgarda (Secretary)	(KV)	Joint Office	Non-Voting
James Hill	(JH)	Shipper	Voting Member
Pauline Babb	(PB)	Shipper	Voting Member
Mark Cockayne	(MC)	Xoserve	Non-Voting
Richard Fairholme*	(RF)	Shipper	Voting Member
Sandra Dworkin	(SD)	Xoserve	Non-Voting
Gemma Truran	(GT)	Shipper	Voting Member

### Apologies

David Holland	(DH)	Shipper	Voting Member
David Trevallion	(DT)	Shipper	Alternate Voting Member
Gavin Ferguson	(GF)	Shipper	Voting Member
Sharon Farby	(SF)	Shipper	Alternate Voting Member

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ebcc/250416>

## 1. Introduction and Status Review

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

### 1.1 Approval of Minutes (21 March 2016)

Minutes from the previous meeting were approved.

### 1.2 Actions

**0203:** EBCR Peak Exposure - Xoserve to undertake more analysis and draft changes to consider at the next EBCC meeting.

**Update:** MC provided an overview via 3 graph schematics detailing the 'Average SAP Price, Securities and Market Intelligence. He explained the SAP price over a rolling 12 month period had been driven down by reductions in the Global oil prices. In relation to the security position, the medium companies had provided more security, where as the smaller companies had been more stable, with SAP increasing slightly.

He further explained the overall securities arena, was also determined by organisations and individual Shippers, who could impact on the trend from an analysis perspective. MC confirmed that Xoserve were constantly assessing and monitoring the portfolio movements at the individual Shipper level, and this data was reported to Ofgem. It was then agreed that this action could then be closed. **Closed.**

## 2. Operational Update

SD provided the operational report for March 2016.

### 2.1 Cash Call Notices

During March there were no Cash Call Notices issued.

## 2.2 Further Security Requests (FSRs)

During March there were no Further Security Requests issued.

## 2.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
February 2016	99.86%	100%
March 2016	100%	100%
Rolling 12 Months	99.35%	100%

SD explained that there was only 1 'Failure to Pay' notice issued for March.

SD moved on to overview the performance of the last 12 months via the presentation and explained the position was stable with 6 out of the last 12 months being at 100%.

## Modifications

### 2.4 Modification 0534 – Maintaining the efficacy of the NTS Optional Commodity ('shorthaul') tariff at Bacton entry points

Available at: [www.gasgovernance.co.uk/0534](http://www.gasgovernance.co.uk/0534)

MC explained that adjustments are to be back dated to November 2015, Xoserve were now processing the adjustments manually and additional resources had been employed to complete this task all was on track.

### 2.5 Modification 0541A/B - Removal of uncontrollable UNC charges at ASEPs which include sub-terminals operating on a 06:00 - 06:00 Gas Day.

Available at: [www.gasgovernance.co.uk/0541](http://www.gasgovernance.co.uk/0541)

MC advised due to the volumes involved, this process could not be carried out 'off line', and had to be undertaken by Gemini, which was a challenge, as it required a change in the system, which as yet, was still to be addressed. The system solution and costs were being discussed as it was likely to involve a Gemini system change, and the time required for the this to be completed was difficult, due to the already congested Gemini change schedule.

### 2.6 Modification 0568 - Security Requirements and Invoice Payment Settlement Cycle for the Trading System Clearer

Available at: [www.gasgovernance.co.uk/0568](http://www.gasgovernance.co.uk/0568)

MC advised this modification had now been approved and an implementation date was being discussed with the Project Team. He explained meetings were taking place between Ice Endex, Xoserve and National Grid on 25 April 2016 to discuss this matter in depth.

## Market Operator Update

MC explained that the legal text in Modification 568 states 'the Invoice Due Date, in relation to Energy Balancing Invoices, shall be as agreed between National Grid NTS and such Trading System Clearer following consultation with the Energy Balancing Credit Committee...' MC highlighted that this related purely to the invoice due date. However, although there had not been a specific reference to invoice issue date the Modification had talked about the misalignment of the daily invoice settlement period and the M + 35

neutrality processes and a reduction in the settlement period and had included a process flow diagram to show daily billing. BF proposed that it might be possible to raise a Fast Track modification for these changes to be made to Legal Text to mirror the original modification intent.

After discussion MC proposed a daily billing cycle to be agreed with EBCC in respect of Ice Endex Gas Spot Ltd in it's role as the Trading System Clearer as follows:

*D = Day of OCM trading*

*D+1 = 1 business day after OCM trading*

*D+2 = 2 business days after OCM trading*

**Invoice Issue D+1**

**Payment Due Date D+2**

Non-payment of an Invoice on the payment due date would result in the normal escalation process.

MC confirmed that a note would be added on the Billing Calendar to highlight the change.

EBCC members voted unanimously to agree this invoicing schedule.

MC explained that the Cash Call Process had not been agreed via National Grid NTS and was still under discussion. He overviewed the situation in relation to the daily exposure and the fact the BNP only offer standard services for what National Grid NTS are paying for currently, which is presently being investigated further. He discussed the issues around payment escalation and disclosure to be resolved.

General discussion took place and PB said she felt the pressure needed to be kept on ICE Endex to ensure an appropriate and timely solution was agreed and confirmed. MC said he was in 100% agreement and that these should be resolved prior to daily billing implementation.

**New Action 0401: Xoserve (MC) to discuss Cash Call process and BNP timings and visibility with National Grid NTS**

### 3. Any Other Business

#### 3.1 Review since 2015 & Focus for 2016

MC discussed the 'Review since the December 2015' presentation, providing an overview of the progress to date and associated achievements. He confirmed the team had been attending many more Networking/Industry events to heighten their overall profile. He then moved on to highlight certain topics from the overall presentation as below:-

#### Change Programme

MC confirmed the continuing support for the development of EU Reform and Gemini Consequential change. He explained the EU Reform could make some changes to the 3<sup>rd</sup> Energy Package from conversations undertaken with National Grid, however, the current process would still be adhered to.

#### EBCC Membership

MC provided a copy of a draft modification reviewing EBCC membership. MC confirmed it would be issued electronically to members for review to be discussed at the next EBCC.

**New Action 0402: EBCC members to review draft modification**

## Risk Profile

MC outlined the continued work to spread the risk profile and discussed the movement of Deposit Deed funds into a different bank account. Additionally how the team are investigating alternative risk management processes.

## Team Structure

MC explained that a review of the current structure was taking place regarding the billing process from a Transportation Support and Transmission Support perspective, to align all processes by the systems and how they interact.

## Bank Ratings

MC overviewed the Bank Ratings and in summary said Xoserve had seen an increase in the overall value of security (LOC's) during the period Sept' 2015 to March 2016 by £1m. 70% of the value of (LOC) security held is in the lower rating band which equates to £245m. The rating A3/A- still had a risk attached to it with an exposure of £20m. However, the remaining 30% of (LOC) security was held in the lowest upper rating (Aa3/AA-) equating to £106m. The previous 6 months had seen a complete shift away from the two upper tier ratings (Aa2/AA>) towards the Aa3/AA- rating. A movement of £93m.

He moved on to explain that Xoserve continue to monitor those FI's which are currently on possible negative outlook with Standard & Poors & Moody's. He also stated that Xoserve continue to see a slight increase of £2m in the value of Deposit Deeds held.

## Brexit

MC overviewed the position regarding the E.U Referendum taking place on 23 June 2016 with the purpose to determine Britain's membership of the European Union. He explained Xoserve had carried out some analysis along with sources from Moodys, with the following possible outcomes, which were based upon an assumption that on 24 June 2016 Britain could leave the European Union.

He explained the E.U. and UK were likely to reach an agreement on trade but not on all sectors. This would be driven by the deep financial linkages between E.U. and UK, together with Article 50 of the Lisbon Treaty permits a member state a minimum of 2 years from the date it submits its application to exit the E.U (not from the date of the referendum). He explained the longer the period for completing the exit, the greater the likelihood of uncertainty within the economy. He also confirmed that from discussions with National Grid the same operating process would be adhered to.

## Project Update

SD provided a Project Update overviewed the following areas:-

- **EU Phase 3** –Shippers active at the cross border Interconnection Points (IPs) will see an IP Balancing Allocation value which will be used in the calculation of their imbalance charges. UAT ongoing. Go live date of 01-May-2016. **System changes implemented**
- **REMIT** – An interface sending circa 160 files from Gemini to the European REMIT system to capture details of NTS Capacity & EB transactions for transparency reporting purposes. Testing ongoing. Go Live date of 07-Apr-2016.**Implemented**
- **Daily Read Emergency Curtailment Quantity (DR ECQ)** - 8 week Project initiated mid-March. Develop the methodology used to determine DR ECQ quantities on behalf of the DNs in the event of a Gas Deficit Emergency. **On hold – will be developed post Nexus in SAP Business Warehouse**

- **EU Summer 2016 Release** – The scope of what is being included in this release is currently being determined. Go live date of 01-Oct-2016.
- **EU Spring 2017 Release** - The scope of what is being included in this release is currently being determined. Go live date of 01-May-2017.
- **EU Phase 4** – Timeline and scope is being determined. Likely to see significant changes around Tariffs and Pricing

#### Gas Forum

SD wanted to make mention that as the Gas Forum was winding up, it was understood the Joint Office were now going to be managing the Elections process for Shipper representatives moving forward. BF confirmed this was correct and that a recent modification had changed the designated person from the Gas Forum to the Joint Office in the Modification Rules. He explained the Joint Office would be writing out to all organisations in June requesting their Single Point of Contact (SPOC) in readiness for the nomination process, which would be taking place in July or August. He also confirmed the Gas Forum selection process had been adopted for this use.

### 3.2 Voluntary Discontinuances

SD explained there were no Voluntary Discontinuances to be presented this month.

## 4. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

EBCC meetings are scheduled as follows:

Time Date	Venue
10:30 Monday 23 May 2016	Teleconference
10:30 Monday 27 June 2016	Teleconference
10:30 Monday 25 July 2016	Teleconference

### Action Table (25 April 2016)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
<b>EBC 0203</b>	23/02/16	5.3	EBCR Peak Exposure - Xoserve to undertake more analysis and draft changes to consider at the next EBCC meeting.	(MC) Xoserve	<b>Closed</b>
<b>EBC 401</b>	25/04/16	2.6	Xoserve (MC) to discuss with National Grid the billing process and timeline for issue.	(MC) Xoserve	<b>Pending</b>
<b>EBC 402</b>	25/04/16	3.1	EBCC members to review draft Modification in relation to membership	EBCC members	<b>Pending</b>