

Energy Balancing Credit Committee Minutes

Monday 27 June 2016

Teleconference

Attendees

Bob Fletcher	(BF)	Joint Office	Non-Voting
Helen Cuin (Secretary)	(HC)	Joint Office	Non-Voting
David Holland	(DH)	Shipper	Voting Member
Gavin Ferguson	(GF)	Shipper	Voting Member
Gemma Truran	(GT)	Shipper	Voting Member
John Costa	(JC)	Shipper	Alternate Voting Member
Mark Cockayne	(MC)	Xoserve	Non-Voting
Richard Fairholme	(RF)	Shipper	Voting Member
Sarah Blewer	(SB)	Xoserve	Non-Voting
Paul Bedford	(PB)	Opus Energy	Item 3.4 only

Apologies

James Hill	(JH)	Shipper	Voting Member
Pauline Babb	(PB)	Shipper	Voting Member
Sandra Dworkin	(SD)	Xoserve	Non-Voting

Copies of all papers are available at: <http://www.gasgovernance.co.uk/ebcc/270616>

1. Introduction and Status Review

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

1.1 Approval of Minutes (27 May 2016)

Minutes from the previous meeting were approved.

1.2 Actions

0401: Xoserve (MC) to discuss with National Grid NTS the billing process and timeline for issue.

Update: MC had that confirmed various discussions have taken place and that a system implementation date of 01 August 2016 has been agreed. He clarified that the invoices due to be issued on the 01 August and 02 August would be placed on hold until 03 August. The first daily invoice will be issued on the 03 August will therefore cover all of June, July and the 01 and 02 August. JC asked what the exposure would be? MC confirmed there would be some limited exposure due to the time of year during this period but it would be minimal.

Closed.

EBC 0501: Xoserve (MC) to speak with Ofgem (JD/TF) to understand Ofgem's thoughts and next steps.

Update: MC confirmed that Xoserve have approached Ofgem regarding a view on the draft EBCC membership modification and that a separate sub-group to support development had been established, however they are waiting the replacement contact following staff changes at Ofgem to confirm if they wished to participate. Ray Elliott was provided as an additional useful contact. **Carried forward**

EBC 0502: Uniper (RF) & Xoserve (MC) to produce high-level slides to be discussed at the Transmission Workgroup on 02 June 2016 under 'Any Other Business'.

Update: BF confirmed that discussions have taken place within the Transmission and Distribution Workgroups. RF confirmed the concept of the EBCC membership changes had been presented and there was no major opposition to consider alternative means subject to normal membership process failing to deliver sufficient candidates. Some concerns were expressed on the practicalities, such as the costs and funding. MC's intention was to continue with the development of the modification once the UNC election process had concluded. BF highlighted that during the Distribution Workgroup it was suggested that the cost allocation proposed through the Energy balancing process might require an amendment to the legal text to incorporate the management/recovery of costs. He also posed a question, which had been asked about avoiding costs if a resource is provided.

Closed

EBC 0503: Xoserve (MC) Confirmation of first Sub Group meeting to be held in London or Windsor, date and venue to be confirmed.

Update: MC confirmed four potential dates for the meeting on either the 04, 08, 11 or 18 July. He asked all members to confirm availability for a meeting at the British Gas office in Windsor. **Carried forward**

2. Operational Update

SD provided the operational report for May 2016.

2.1 Cash Call Notices

During May there were 2 Cash Call Notices issued.

2.2 Further Security Requests (FSRs)

During May there were no Further Security Requests issued.

2.3 Settlement

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
April	99.99%	100%
May 2016	99.87%	100%
Rolling 12 Months	99.4994%	100%

SB confirmed that some parties had payments mapped to National Grid incorrectly and had therefore paid but this had been received into the wrong account. This situation has now been corrected and should not happen again.

3. Modifications

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

Available at: www.gasgovernance.co.uk/0534

MC confirmed that Xoserve had processed an adjustment early due to a mis-communication. The system solution is currently being tested with implementation planned for early July and the first payment due late July.

3.2 *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

MC reported that both modifications had been rejected, therefore this item could now be closed.

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

Available at: www.gasgovernance.co.uk/0568

MC advised implementation had been agreed for 01 August 2016 (see action update 0401).

3.4 Modification 0587 – Seasonal Energy Balancing Credit Cover

Available at: www.gasgovernance.co.uk/0587

MC explained that the modification proposes to change the current calculation for the security requirement, and introduce a Winter/Summer profile. Xoserve have been asked to provide some analysis and this should be available for the July Transmission Meeting.

JC explained that there are some concerns with the modification, expressing a solution may have been possible by utilising the existing cash rules without the need for a modification.

MC explained how the credit assessment is normally undertaken monitoring exposures and utilisation. MC explained currently the security over secures in the Summer and creates unnecessary cost for some organisations. Some practicalities were highlighted with the renewal process, and the majority of customers being covered by a letter of credit, which involves an assessment and calculation, generally taking 3 months. The modification could prolong this process.

RF suggested renewing a letter of credit twice of year would be costly and post-productive for some Shippers. He understood that the credit in this case would likely to be cash, rather than some other method of security. He suggested that for industry assurance parties would need to be confident that the cover from Summer to Winter cash commitment is sufficient, and parties have the ability to react appropriately providing sufficient funds, as the step up could be quite significant over one month. MC explained that failure to provide the security from Summer to Winter could involve cash-calls notices being made.

MC explained that if the credit is kept as a cash-only process, arrangements are already in place to manage this as the process assumes cash offers less risk and is available straight away. He asked PB to clarify if the modification is for cash only.

GF asked about the cost of implementation. MC explained the modification would increase operational costs and this would be an enduring cost. MC confirmed that the cost recovery would need to be considered.

Members discussed elements of the modification and the analysis required. Further discussions will take place within the Workgroup.

MC asked if there were any immediate concerns. The members sought re-assurance on the availability of the Step-Up and Step-Down approach; Xoserve being able to accurately forecast credit going forward on a twice a year basis; and if the perceived workload would be manageable. MC suggested the process would require an additional Full-Time resource.

PB asked for parties to consider the modification and for the EBCC to feedback any questions. BF asked if the EBCC wish to provide an initial representation. Members agreed it would be worthwhile informing the Workgroup how the current credit rules work and that it may be possible to offer a similar solution for without a modification for those who provide as security and that they would monitor progression.

4. Any Other Business

4.1 Bank Share Prices and Ratings

GF enquired about the movement in bank share prices and the impacts on credit ratings.

MC explained there was no immediate reaction in the bank's ratings, despite share prices going down, following the referendum. This is being monitored very closely and Xoserve are working with the National Grid treasury team to spread any risk, negotiating the move of £40m of credit from Barclays to [LloydsHSBC](#).

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

EBCC meetings are scheduled as follows:

Time Date	Venue
10:30 Monday 25 July 2016	Teleconference

Action Table (27 June 2016)

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 401	25/04/16	3.3	Xoserve (MC) to discuss with National Grid the billing process and timeline for issue.	(MC) Xoserve	Closed
EBC 501	23/05/16	5.2	Xoserve (MC) to speak with Ofgem (JD/TF) to understand Ofgem's thoughts and next steps.	Xoserve (MC)	Carried Forward
EBC 502	23/05/16	5.2	Uniper (RF) & Xoserve (MC) to produce high-level slides to be discussed at the Transmission Workgroup on 02 June 2016 under 'Any Other Business'.	Uniper (RF) & Xoserve (MC)	Closed
EBC 503	23/05/16	5.2	Xoserve (MC) Confirmation of first Sub Group meeting to be held in London or Windsor, date and venue to be confirmed.	Xoserve (MC)	Carried Forward