

UNC Workgroup 0587 Minutes
Seasonal Energy Balancing Credit Cover
Thursday 07 July 2016
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Amrik Bal	(AB)	Shell
Andrew Blair	(AB)	UK
Andrew Malley	(AM)	Ofgem
Andrew Pearce	(AP)	BP Gas
Angharad Williams*	(AW)	National Grid NTS
Anna Shrigley	(AS)	Eni
Charles Ruffell	(CR)	RWE
Colin Hamilton	(CH)	National Grid NTS
Craig Dean	(CD)	National Grid LNG
David Eastlake	(DE)	AESL
Gareth Davies*	(GD)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower Energy Management
Graham Dickson	(GDi)	Interconnector UK
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JCh)	SSE
Jennifer Randall	(JR)	National Grid NTS
John Costa	(JCa)	EDF Energy
Julie Cox	(JCx)	Energy UK
Karen Visgarda (Secretary)	(KV)	Joint Office
Les Jenkins (Chair)	(LJ)	Joint Office
Lucy Manning	(LM)	Gazprom
Mark Johnson	(MJ)	National Grid LNG
Marshall Hall	(MHI)	Oil & Gas UK
Matt Hatch	(MH)	National Grid NTS
Nick Wye	(NW)	Waters Wye Associates
Philip Hayward	(PHa)	Opus Energy
Phillip Hobbins	(PH)	National Grid NTS
Richard Fairholme	(RF)	Uniper
Sandra Dworkin*	(SD)	Xoserve
Sarah Chleboun*	(SC)	National Grid NTS
Sean Hayward	(SH)	Ofgem
Sinead Obeng*	(SO)	South Hook Gas
Steve Pownall	(SP)	Xoserve
Steven Britton*	(SB)	Cornwall Energy
Terry Burke	(TB)	Statoil

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0587/070716>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 September 2016.

1.0 Outline of Modification

PHa introduced the modification explaining that it proposed to amend the Energy Balancing Credit Rules so that a User's credit cover, which is currently set based on the maximum requirement in the past 12 months, is only set based on months in the same season as the current one.

2.0 Initial Discussion

2.1. Initial Representations

None received.

2.2. Issues and Questions from Panel

None raised.

2.3 General Discussion

Following PHa's introduction, general discussion took place with specific discussions focusing on methods of placing security. Responding to questions about the potential impacts on Letters of Credit SD explained the typical types (fixed/variable/profiled). RF suggested that 2 levels was not ideal from a Larger Shipper perspective and AS asked if the higher level could be obtained by using cash to go from the lower level to the higher level; SD confirmed this was correct. LJ said that the modification was not proposing to change the existing process for placing security in any way, it was merely changing the credit cover requirement.

SD explained that this change would require additional resource to administer. LJ proposed that this could therefore become a User Pays modification, whilst SD thought it would be covered by the Agency Services Agreement (ASA), as was the current process in relation to costs. LJ said that, as it was regarding a change in service, he believed it would be User Pays. SD agreed to investigate this matter and then provide further clarity for PHa to amend the proposal.

SD overviewed the 'Seasonal Energy Balancing Credit Cover' presentation, in which schematic graphs showed the value of Energy Balancing Security required over the previous 3 years based on net indebtedness if profiled over Summer/Winter periods compared to Annual Security held during that period. The graphs showed the results for; Large Portfolio Shippers, Medium Portfolio Shippers, Small Portfolio Shippers and Domestic Portfolio Shippers. She acknowledged that the period used did not align with the Summer/Winter split described in the proposal, explaining the misunderstanding. Participants struggled to align what the analysis showed with their understanding of the Solution. GJ suggested that what was needed was; if this modification had been in place 3 years ago, what would the indebtedness look like?

New Action 0701: PHa and SD to provide analysis that demonstrates indebtedness over three years on the basis that the proposed rules had been in place

RF explained that at the last EBCC meeting he attended it was believed that this could be achieved without a modification. PHa said he appreciated this, but the modification was to ensure all Shippers were treated evenly and hence he wanted it in the Code.

RF said he had a concern for Smaller Shippers going to the lower level in the Summer and then when entering the Winter months potentially having issues when faced with a step change in their security, which could increase the risk of default.

New Action 0702: Xoserve (SD) to explain the timeline for posting credit and the process for using cash for security.

3.0 Next Steps

LJ confirmed that more investigation and discussion was required, he proposed this be discussed in the 01 September 2016 meeting as the Proposer was not available for the August meeting.

4.0 Any Other Business

None.

5.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
Thursday 01 September 2016	Elexon, 350 Euston Road, London NW1 3AW	<p><i>Detail planned agenda items.</i></p> <ul style="list-style-type: none"> • <i>Amended Modification</i> • <i>Consideration of Business Rules</i> • <i>Consideration of User Pays</i> • <i>Review of Impacts and Costs</i> • <i>Review of Relevant Objectives</i> • <i>Consideration of Wider Industry Impacts</i> • <i>Consideration of Legal Text</i> • <i>Development of Workgroup Report</i>

Action Table (07 July 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0701	07/07/16	2.3	PHa and SD to provide analysis that demonstrates indebtedness over three years on the basis that the proposed rules had been in place.	Opus Energy (PHa) & Xoserve (SD)	Pending
0702	07/07/16	2.3	Xoserve (SD) to explain the timeline for posting credit and the process for using cash for security.	Xoserve (SD)	Pending