

**UNC Workgroup 0587 Minutes**  
**Seasonal Energy Balancing Credit Cover**  
**Thursday 01 September 2016**  
**at Elexon, 350 Euston Road, London NW1 3AW**

**Attendees**

Amrik Bal	(AB)	Shell
Andrew Malley	(AM)	Ofgem
Anna Shrigley	(AS)	Eni Trading & Shipping
Angharad Williams	(AW)	National Grid NTS
Andrew Pearce	(APe)	BP Gas
Anthony Miller	(AM)	Centrica Storage
Charles Ruffell	(CR)	RWE
Colin Hamilton	(CH)	National Grid NTS
David Cox	(DC)	London Energy Consulting
Fergus Healy	(FH)	National Grid NTS
Gareth Davies*	(GD)	National Grid NTS
Gerry Hoggan	(GH)	ScottishPower Energy Management
Graham Dickson	(GD)	Interconnector
Graham Jack	(GJ)	Centrica
Jeff Chandler*	(JCh)	SSE
Julie Cox	(JC)	Energy UK
Les Jenkins (Chair)	(LJ)	Joint Office
Lesley Ramsey	(LR)	National Grid NTS
Lorraine O'Shaughnessy	(LOS)	Xoserve
Lucy Manning	(LM)	Gazprom
Marshall Hall	(MH)	Oil & Gas UK
Mike Berrisford (Secretary)	(MB)	Joint Office
Nick Wye	(NW)	Waters Wye Associates
Phillip Hayward	(PHa)	Opus
Phillip Hobbins*	(PH)	National Grid NTS
Richard Fairholme*	(RF)	Uniper UK
Sean Hayward	(SH)	Ofgem
Sean McGoldrick*	(SM)	National Grid NTS
Steve Pownall	(SP)	Xoserve
Steven Britton	(SB)	Cornwall Energy

*\*via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0587/010916>

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

**1.0 Introduction and Status Review**

LJ introduced the meeting explaining that whilst the principal aim is to complete the Workgroup Report at this meeting, if this not possible, an extension would be requested at the September 2016 Panel meeting.

**1.1. Approval of Minutes (07 July 2016)**

The minutes of the previous meeting were approved.

## 2.0 Amended Modification

PHa provided a brief onscreen review of the recent amendments made to the modification (v2.0 dated 23 August 2016) focusing attention on the changes undertaken on page 5.

It was suggested that should the intention of the modification be to enable parties to request a seasonal credit profile, care would be needed in developing suitable supporting legal text.

When asked about parties challenging the information provided by Xoserve on such matters, LOS explained that they (Xoserve) welcome these types of 'push backs' from users as it facilitates healthy debate. LOS also confirmed that the information is collated via a manual extraction of data from the Gemini system.

When it was suggested that there needs to be a new supporting User Pays service line, PHa took the opportunity to explain that where users do not wish to utilise the proposed service, they can always continue 'as-now' – in other words, the solution does not mandate using the proposed process. It was suggested that it would be beneficial to amend the Solution and the legal text to also include non-discriminatory provisions for new users as well as those for existing user.

When asked whether to proposed solution would result in Xoserve having to provide additional 3 months notifications, LOS confirmed that it does and that this potentially places a significant additional resourcing commitment upon Xoserve, depending upon the 'take up level' for the new service.

LJ pointed out that current processes that parties undertake now would continue after implementation of this modification and that any concerns around these should be included within consultation responses.

It was agreed that the Solution section needs further amendment in line with the points raised and that the legal text and commentary need updating to include consideration of TPD Section X2.2.6 provisions.

When asked, parties indicated that they would be happy to continue work on the Workgroup Report (*please refer to item 4.0 below*) on the assumption that the modification would be amended inline with today's discussions.<sup>1</sup>

## 3.0 Impact of the Solution on Typical Historic Indebtedness

LOS provided an onscreen review of the Xoserve 'Seasonal Energy Balancing Credit Cover' presentation explaining how the Xoserve processes, key trigger and timing aspects work.

When asked whether or not monies held within a user's cash account are considered as adequate security, LOS advised that it does not and made reference to both the Credit Rules and UNC TPD Section X paragraph 2.2.6 provisions.

PHa then provided a brief explanation behind each graph and its respective supporting analysis. He summarised some of the slides at a high level by advising that the Large Portfolio Shipper Example 2 displays a partial seasonal shape; the Medium Portfolio Shipper Example 3 is based on Opus data; the Small Portfolio Shipper Example 1 reflects no particular pattern; and finally the Small Portfolio Shipper Example 2 again reflects no particular summer/winter pattern.

LJ sought Workgroup views as to whether or not the presentation assists modification progression, with some parties remaining unconvinced that it does. Acknowledging the

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<sup>1</sup> Post meeting note: an amended version of the modification (v3.0) was published on the Joint Office web site on 02 September 2016, at: <http://www.gasgovernance.co.uk/0587>

comments, LJ suggested that the information is seeking to inform the benefits v's risks debate and should anyone have any major concerns they should ensure that these are captured within their respective consultation responses.

#### **4.0 Completion of the Workgroup Report**

LJ undertook an onscreen review of the (draft) Workgroup Report (v1.0) during which he made changes to the document inline with discussions and in response to points made elsewhere (earlier) in the meeting.

##### **4.1. Consideration of Business Rules**

It was agreed that this item had been covered within discussions on item 2.0 above.

##### **4.2. Consideration of User Pays**

LJ advised that unless the Transporters are prepared to 'fund' the proposed service provision (GD confirmed they would not be), then the modification has to be a User Pays modification on the basis that there would be a change to the service.

PHa indicated that whilst he had originally believed that there were no User Pays aspects to the modification, following today's discussions he was happy to change his mind.

LJ made appropriate changes to the User Pays statement(s).

##### **4.3. Review of Impacts and Costs**

When asked whether or not any cost information in support of the modification was available, GD explained that the only information was at a very basic level, as he believes this is subject to the level of industry take up of the service provision.

SP explained that the high-level Xoserve view is circa £50k based on 1FTE, and on the assumption of all Shippers taking up the service. He went on to add that indications are that there is circa 14% of Shippers with cash credit (i.e. those most likely to take up a seasonal credit service) and working this back results in a charge in the region of £7k p.a.

When asked whether Xoserve had considered utilising a one off set up cost plus costs spread across all users based approach, LOS responded by explaining that this would be extremely difficult to predict on the grounds that costs are more ongoing in nature – whilst there might be a small system cost associated with tweaking the calculation tool, it is really more to do with an administration cost.

LJ voiced his concern (and frustration) that costs remain unclear this close to completion of the Workgroup Report at this meeting and the subsequent submission to the September Panel for consideration. He reminded attendees that cost estimates are required for any/all modifications being issued to consultation, in line with CACoP requirements. Responding, SP apologised before explaining that this was due in part, to ongoing assessment of the usage predictions and User Pays considerations. It was noted that if the Workgroup is formally requesting Xoserve provides a Rough Order of Magnitude (ROM), then the figures already quoted would stand firm. LOS pointed out that costs can vary as some users utilise case whilst other utilise other credit options – thereafter, LJ made the appropriate onscreen changes to the User Pays table.

Moving on, LJ pointed out that Ofgem have the ability to challenge the User Pays statements when looking to undertake a decision on the amendments to the Agency Charging Statement in due course.

PHa suggested that transitional costs potentially impact upon new users more than existing ones and therefore potentially impact take up. LOS also explained how the renewal triggers operate and how different users have different renewal dates. It was suggested that the modification would need to be amended to ensure that it is clear on these matters.

In briefly debating the security aspects, LOS pointed out that it is the Letters of Credit (LOC's) considerations that build complexity – LOC's are charged for by the Financial Institutions.

#### 4.4. Review of Relevant Objectives

During a brief verbal update by PHa, LJ made onscreen changes to the relevant objectives statement including addition of a 'peak usage' reference.

#### 4.5. Consideration of Wider Industry Impacts

Whilst LJ provided a brief summary, in general it was agreed that this item had been covered within discussions on item 2.0 above.

#### 4.6. Consideration of Legal Text

GD provided a brief overview of the (draft) legal text and supporting commentary.

LJ posed the question of whether or not there are reasonable grounds to discriminate against new users needs to be considered. In short, the modification and legal text needs to allow new users to provide seasonal profiles, whether these are a guess or based on actual data.

After seeking views, LJ amended the Workgroup Report to read that '*Final Legal Text was not available for the Workgroup to review, however advanced drafting was considered*'. It was also noted that '*The Workgroup was happy with the intent of this Text and did not wish to review it further*'.

In closing, National Grid NTS were asked to provide final legal text in time for consideration alongside the Workgroup Report, at the September Panel meeting.

#### 4.7. Finalisation of Workgroup Report

An onscreen review and update exercise was completed inline with Workgroup discussions, as per above.

### 5.0 Review of outstanding actions.

**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.

**Update:** It was agreed the action had been completed. **Closed**

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

**Update:** It was agreed the action had been completed. **Closed**

### 6.0 Next Steps

Opus (PHa) to provide an amended modification inline with the updated (final) Workgroup Report and to also take into account points highlighted during the meeting, such as:

- the solution should also apply to the initial calculation of cover levels for new users to avoid discrimination;
- the new method should be enacted upon a specific request from the user to avoid Xoserve running the more complicated calculation where it's unnecessary, and

- before the start of Winter a user must return it's cover to the Winter level.

National Grid NTS to provide final legal text (and supporting plain English commentary) in time to accompany the Workgroup Report at the 15 September 2016 Panel meeting.

## 7.0 Any Other Business

None.

## 8.0 Diary Planning

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

There are no further Workgroup meetings planned at this time.

### Action Table (01 September 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)	Update provided. <b>Closed</b>
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)	Update provided. <b>Closed</b>