

UNC Energy Balancing Credit Committee Minutes
Monday 13 December 2021
via Microsoft Teams

Attendees

Yvonne Reid-Healy (Chair)	(YRH)	Joint Office	Non-Voting
Maitrayee Bhowmick-Jewkes (Secretary)	(MBJ)	Joint Office	Non-Voting
Sharon Bright	(SB)	Xoserve	Non-Voting

Voting Members Shippers

David Holland	(DH)	ScottishPower
Jane Morrison	(JM)	SSE
John Costa	(JC)	EDF Energy
Kirsty Dudley	(KD)	E.On
Thomas Grove	(TG)	Centrica

Copies of all papers are available at: <https://www.gasgovernance.co.uk/ebcc/131221>

1. Introduction

Yvonne Reid-Healy (YRH) welcomed all representatives to the meeting.

1.1. Apologies for absence

Steve Mulinganie.

1.2. Note of Alternates

None

1.3. Quoracy Status

YRH confirmed the meeting was quorate.

1.4. Approval of Minutes (24 August 2021)

The minutes of the previous meeting were approved.

1.5. Approval of Late Papers

There were no late papers to consider.

2. Operational Update

2.1. Energy Cash Collection

Sharon Bright (SB) reported that the Cash Collection target was achieved by Payment Due Date for August, September and October 2021.

Month	Payment Due Date	Payment Due Date + 2	Failure to Pay Notices Issued
August 2021	100%	100%	1
September 2021	98%	97.09%	10
October 2021	98.04%	100%	5

SB explained the failure to meet the target of 100% at Payment Due Date +2 for October was due to one invoice remaining unpaid following a User's managed exit.

2.2. Cash Calls

SB confirmed that during:

- **August 2021** there were six (6) Cash Call Notices issued,
- **September 2021** there was eight (8) Cash Call Notice issued, and
- **October 2021** there were seventy-two (72) Cash Call Notices issued, with a total value of £611,399,000.

2.3. Security

SB advised all securities had been renewed ahead of expiry and no bank downgrades or credit agency alerts had been received which required any action.

2.4. Terminated Shipper Update

SB explained that five (5) Shippers had been terminated in the last quarter with a total debt of £1,109,398.95. Nine (9) Shippers have been terminated since 2018 with a total debt of £9,673,433.57 which is being pursued through appointed administrators via regular updates. Furthermore, the Debt would be smeared (via Energy Balancing Invoices) 2 months after invoice due date to the community.

As of 30 October 2021, there has not been any offer of settlement from the administrators.

Jane Morrison (JM) asked whether the debts could be escalated. SB advised the administrators were only being contacted through the web portal at present. JM suggested that under the circumstances, it would be beneficial to escalate these debts more vigorously as they were mounting up. SB agreed and said she would make more frequent contact with the administrators to see if any resolution could be reached.

Kirsty Dudley (KD) agreed with this view noting that it may be useful carrying out this exercise even as a test, as any money recovered from the administrators would be a bonus and pursuing the administrators more frequently was likely to become the norm in the future.

Thomas Grove (TG) suggested it would be beneficial to keep a record of all contact attempted with administrators and any responses received as Xoserve and the Committee can then highlight this if required, even if there is no engagement with the administrators or no progress is made.

YRH asked the Committee how frequently they wanted Xoserve to contact the administrators. JM suggested monthly contact. TG added this could start from January 2022. The Committee agreed with this view.

New Action 1201: Xoserve (SB) to start monthly escalation of debt with administrators of terminated Users starting from January 2022.
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2.5. Escalations

SB noted the escalations had been made to the Committee on 6 September, 11 October and 18 October for decisions due to non-payments of cash calls and invoices by Users.

David Holland (DH) asked how many cash calls had been made in November. SB advised it had been higher than normal, but it not as high as in October. Asking Users to lodge higher security had also improved cash call limits. SB added Xoserve was monitoring this closely.

SB noted that the aggregate for Letters of Security was around £52m and asked if this was something the Committee needed to review. JM asked if this was causing some banks to not be able to provide security. SB confirmed this was correct and noted this was also causing problems for some Users. SB also noted that some Users were depositing cash on top of their Letters of Credit. SB added she could review the headroom and increased security for financial institutions and report back to the Committee.

JM asked if this can be expedited. SB agreed with this request.

New Action 1202: Xoserve (SB) to review headroom availability, credit scores and increased securities for financial institutions to present at the next Extraordinary EBCC (17 December 2021).

3. Lessons Learnt from CNG Termination Process

SB asked the Committee for their views on what had gone well during the CNG Termination process. The key views shared are noted below:

- DH noted the information provided by Xoserve every week was very useful. JM agreed with this view.
- KD stated that as the process developed, Xoserve anticipated the Committee's requests and provided information that would be required without being prompted and this was extremely beneficial.
- TG agreed noting that as the process developed, the information provided by Xoserve became more detailed and it enabled the Committee to properly consider if they were taking the correct decisions. TG added if another similar situation occurred, this would be the depth of information required.
- KD noted the framework has now been set up for any future events.
- DH stated Xoserve facilitating Ofgem and CNG attending EBCC was beneficial for the Committee.
- KD added engaging the failing User and the Shipper/ Suppliers taking on their portfolio was useful, without which it would have been more difficult for the Committee to make any decisions. KD also noted the frequency of level of communication from Xoserve throughout the process was beneficial.

TG noted separately that it would be useful to determine how Bulb Energy and the Special Administration they are under will be dealt with and whether this would be different to the CNG process.

YRH asked if the Committee could ask Ofgem. DH noted that Ofgem have indicated they are willing to attend EBCC and it may be beneficial to invite them to the 2022 Q1 EBCC meeting. DH asked if Xoserve can facilitate this. SB accepted the request.

New Action 1203: Xoserve (SB) to invite Ofgem and Bulb Energy's Special Administrators to attend the Q1 2022 EBCC.

SB asked the Committee for their views on what had not gone well or could be improved. The key points from the discussion are captured below:

- JM noted the information around CNG failing could have been disseminated sooner as there were industry discussion and media news before the Committee reacted to the event.
- TG suggested the process was not fully transparent and there were questions regarding the roles of different parties in the process, such as the role of Ofgem. It would be helpful for clarity on how the process is aligned and what the impact is on the industry.
- TG also noted that while it had been helpful for Ofgem to engage with the process fairly early, in the future for any similar processes it would be better for Ofgem's involvement to start earlier. It would also be beneficial to understand the whole process and not just the Committee's remit.
- KD suggested that perhaps Ofgem could carry out an impact assessment for the industry.

John Costa (JC) joined the call. JC noted that in regards to the CNG termination process, it may have been helpful to recover the £6m CNG had owed, but it was better to have terminated them without the £80m exposure.

JC noted that residual Suppliers who could not use Modification 0788, will most likely fail further to CNG's termination, resulting in more imbalance to the industry and this will be difficult to address without Ofgem's intervention. JC added that without fundamentally changing the regime and the Shipper/Supplier relationship, these events will continue to occur.

KD suggested that an early warning system needed to be in place for the industry to be able to deal with any similar future events, but the Committee could not do much more as the EBCC does not have the remit to handle this and it is a governance process instead.

KD noted that the Retail Energy Code (REC) stipulates the relationship between Suppliers and Shippers and asked if the Committee could work with the REC to bolster the governance to ensure this process can be assured.

New Action 1204: Xoserve (SB) to liaise with the REC to see if there is opportunity to improve the supplier requirements where there is a Deed of Undertaking in place and to support governance process.

JC asked how the Suppliers who need to put in more security are doing and whether this is being provided. SB confirmed they were doing so and further information will be shared with the Committee.

Committee asked SB what had been hard for Xoserve during this process. SB advised the hardest part had been getting adequate security from Suppliers. SB added there was now a model in place but Xoserve are considering how the Deed of Undertaking can be improved. KD asked who was drafting the amendment to the Deed of Undertaking, noting the governance process to do so would need to be reviewed.

New Action 1205: Xoserve (SB/BG) to tidy the Deed of Undertaking and review it's governance process and report to the Committee at the 2022 Q1 EBCC meeting.

JC and the Committee discussed CNG's terminations and EBCC's decisions. The Committee explained their reasoning for postponing the termination as this was the best position for industry.

4. Modifications

No Modifications raised.

5. Review of Outstanding Actions

Action 0801: Xoserve (SB) to include the financial institution's headroom availability for every quarter at future EBCC meetings.

Update: This action will be superseded by Action 1202. **Closed.**

Action 0802: Xoserve (SB) to contact Administrators of terminated Shippers to request an update on the outstanding debts.

Update: This action will be superseded by Action 1201. **Closed.**

Action 0803: Xoserve (SB) to provide the value for outstanding Energy Balancing Adjustments.

Update: SB advised this had been shared following the Q3 2021 EBCC. **Closed.**

6. Key Messages

It was agreed that there are no 'Key Messages' for dissemination after the meeting.

7. Any Other Business

None.

8. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
Wednesday 23 February 2022 10:30	Teleconference	Standard agenda items, plus

Action Table (as at 13 December 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0801	24/08/21	2.2	Xoserve (SB) to include the financial institution's headroom availability for every quarter at future EBCC meetings.	Xoserve (SB)	Closed
0802	24/08/21	2.4	Xoserve (SB) to contact Administrators of terminated Shippers to request an update on the outstanding debts.	Xoserve (SB)	Closed
0803	24/08/21	3.0	Xoserve (SB) to provide the value for outstanding Energy Balancing Adjustments.	Xoserve (SB)	Closed
1201	13/12/21	2.4	Xoserve (SB) to start monthly escalation of debt with administrators of terminated Users starting from January 2022.	Xoserve (SB)	Pending
1202	13/12/21	2.5	Xoserve (SB) to review headroom availability, credit scores and increased securities for financial institutions to present at the next Extraordinary EBCC (17 December 2021).	Xoserve (SB)	Pending
1203	13/12/21	3.0	Xoserve (SB) to invite Ofgem and Bulb Energy's Special Administrators to attend the Q1 2022 EBCC.	Xoserve (SB)	Pending
1204	13/12/21	3.0	Xoserve (SB) to liaise with the REC to see if there is opportunity to improve the supplier requirements where there is a Deed of Undertaking in place and to support governance process.	Xoserve (SB)	Pending
1205	13/12/21	3.0	Xoserve (SB/BG) to tidy the Deed of Undertaking and review its governance process and report to the Committee at the 2022 Q1 EBCC meeting.	Xoserve (SB)	Pending