

UNC Energy Balancing Credit Committee Minutes
Wednesday 22 February 2023
via Microsoft Teams

Attendees

Yvonne Reid-Healy (Chair)	(YRH)	Joint Office	Non-Voting
Vera Li (Secretary)	(VL)	Joint Office	Non-Voting
Brendan Gill	(BG)	Xoserve	Non-Voting
Claire Jamieson	(CJ)	Xoserve	Non-Voting

Voting Members Shippers

Daniel Wilkinson	(DW)	EDF
Jane Morrison	(JM)	SSE
Thomas Grove	(TG)	Centrica

Copies of all papers are available at: <https://www.gasgovernance.co.uk/EBCC/220223>

1. Introduction

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

1.1. Apologies for absence

None

1.2. Note of Alternates

None

1.3. Quoracy Status

YRH confirmed the meeting was quorate.

1.4. Approval of Minutes (23 November 2022)

The minutes of the previous meeting were approved.

1.5. Approval of Late Papers

There were no late papers to consider.

2. Update on Membership Rules Review

YRH provided an update on the outcome of the Extraordinary EBCC Meeting 15 February 2023.

YRH confirmed that the proposed change on Section 1.2b in the EBC rules and the implementation date of 05:00 17 February 2023 have been approved by Committee unanimously.

- Energy Balancing Credit Rules v3.3 has been published here: <https://www.gasgovernance.co.uk/tpddocs>
- YRH communicated the outcome of the meeting vote with the relevant Committee Member on Thursday 16 February 2023. A response was received from the Committee Member regarding whether it is mandatory for an Alternate to be employed by a Shipper? The Committee Member also requested clarity on the rules regarding a member who leaves their nominating shipper but employed by another shipper.
- YRH is to further investigate on queries raised by the respondent and revert to Committee on 24 February 2023.
- YRH confirmed Scottish Power has nominated a new member as a replacement. YRH to confirm if the nomination can be accepted or should a Mid Term Nomination process be conducted.

- Committee queried on date of next election. YRH advised normal annual nomination process will start in May and membership to start on 01 October. For Mid-Term election, JO could confirm how long nomination will run for and YRH suggested 5 working days.

It was agreed that the EBCC and UNC Rules must be consistent.

Action 0201: YRH/Joint Office to provide written suggestion and advise on Membership & Alternate rules; and arrange further meeting to discuss if require.

3. Operational Update

Claire Jamieson (CJ) presented the EBCC Operational Statistics.

Monthly Breakdown of Cash Collected at Payment Due Date (PDD):

Month	Payment Due Date (PDD)	PDD + 2
November 2022	95.52%	100%
December 2022	99.99%	100%
January 2023	99.42%	100%

- Cash Collection targets 98% achieved by PPD and 100% by PPD + 2
- In November 2022 there was a drop in cash collection performance on payment due date, due to one user having a large value invoice which was paid into an incorrect bank account. The payment was received into the correct account by PPD + 2

Failure to Pay Notices Issued:

November 2022	6
December 2022	5
January 2023	6

There is no concern with any particular user in terms of payment.

A monthly breakdown of invoices due was provided - Monthly Breakdown of Invoices Due Report - £102m in November 2022, £141m in December 2022 and £90m in January 2023. CJ noted that compared to March 2022 of £177m the total has slightly come down due to the drop in gas price.

Securities

It was noted that all securities renewals were completed within the month.

No Bank downgrades or credit agency alerts requiring action.

Cash Calls Issued:

November 2022	1
December 2022	27
January 2023	21

The peak in December is due to 1 user being issued with 14 cash calls. Xoserve has started engagement with the customer since and the customer has increased their security by a significant amount to prevent this to happen further.

BG stated it is key to have early engagement with customers with multiple cash calls, make them aware of the process for cash calls and further security requests if they have more than 2 calls within a 28-day period.

Further Security Requests:

November 2022	1
December 2022	9
January 2023	7

This was due to users having 2 cash calls issued within a 28-days period.

Debt Smearing:

Debt smeared 2022 is over £61m compared to only £8m in 2021, and £2.5m as at January 2023.

BG advised that the majority of the £61m in 2022 was due to the failure of CNG.

BG confirmed that with the UIG charges and reconciliation, value smear since September (£13m) has been reduced significantly month on month.

It was noted that CNG and CNR debt smear still contributed to the majority on a monthly basis.

New Users Credit List Monitoring:

CJ provided a table of the credit limit monitoring undertaken by Xoserve for New Users detailing the level of security at Go-Live. Also, an updated position on the current level of security currently in place and details behind any security increases.

BG confirmed Shippers 3, 6 and 10 have been terminated from the market however Shipper 10 is still trying to re-apply for a licence through Ofgem and re-enter the market but Ofgem has so far not approved the granting of a licence.

BG noted Xoserve are maintaining closer links with Ofgem. Xoserve is able to see applicants applying for licences and will flag to Ofgem if Xoserve has concerns with any of the applicants.

Committee member asked if Ofgem is seeking anything formal or just financial previous history. BG confirmed that Ofgem appear to be conducting more extensive checks particularly around financial stability and directorship. Xoserve have visibility of an applicant Shippers Customer Application Form that they submit in order to register as a Shipper therefore, Xoserve are able to identify whether an applicant is linked with a previously failed Shipper/Supplier which Xoserve would alert to Ofgem.

Xoserve is also working closely with National Gas Transmission and sharing intel on any applicants of concern.

BG also revealed that Xoserve is the Scheme Administrator for the Energy Price Guarantee and Energy Bill Relief Schemes and Xoserve have in place a mechanism to flag to BEIS any customer of concern.

Debt Recovery

CJ provided updates on debt recovered and noted that the dividend received in January will be smeared back to the industry as credit in April 2023.

Committee members discussed the outstanding balance is still a significant loss to the Market and further requirements from Ofgem is needed to tighten the licence applications.

BG provided a further update on a particular user who has gone into Administration and the issues around this user. BG confirmed that the likelihood in recovering any dividend is low.

Update of Credit Rules

CJ confirmed the following EBCR Credit Rules updates:

- National Grid to National Gas Transmission (Modification 0837FT)
- All references of National Grid have been changed to National Gas Transmission to reflect the sale.
- Headroom increases as agreed in March 2022

BG confirmed there is no change in National Grid's Legal Entity so does not affect any security held for their customers. Xoserve has changed the template to reflect the change of company name and updated the new registered address.

CJ will circulate the Draft Revised rules to Committee Members for review and approval. Deadline for return is 01 March 2023.

Action 0202: Xoserve (CJ) to circulate Revised EBC Credit Rules for approval. All Committee Voting Members to respond latest by 01 March 2023.

4. Modifications

No Modifications raised.

5. Review of Outstanding Actions

1101: Xoserve (BG) to establish whether there is a possibility within the rules to apply index linking to debts due (to the initial debt 3+ years).

Update: BG recapped this is related to companies that have debt and will potentially take a few years before getting any dividends back. Xoserve has contacted the related Administrator and checked the Insolvency Act and confirmed Xoserve can only apply interest rate to the point that the company entered insolvency so they cannot apply any interest to the outstanding debt beyond that point.

Committee members commented that would mean there will be a bigger loss to the market. **Closed** BG then consulted if Committee Members are happy for Xoserve to share with Ofgem the current debt position and make aware of the failure in the market. Committee unanimously agreed.

Action 0203: Xoserve (BG) to communicate with Ofgem the current debt data and revert to Committee in next EBCC Meeting 24 May 2023

6. Key Messages

It was agreed that there were no 'Key Messages' for dissemination after this 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
10:30 Wednesday 24 May 2023	Microsoft Team	Standard agenda items, plus
10:30 Wednesday 23 August 2023	Microsoft Team	Standard agenda items, plus
10:30 Wednesday 22 November 2023	Microsoft Team	Standard agenda items, plus

Action Table (as at 22 February 2023)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Due Date	Status Update
1101	23/11/23	2.1	Xoserve (BG) to establish whether there is a possibility within the rules to apply index linking to debts due (to the initial debt 3+ years).	Xoserve (BG)	February 2023	Closed
0201	22/02/23	2.0	YRH/Joint Office to provide written suggestion and advise on Membership & Alternate rules; and arrange further meeting to discuss if require.	YRH / Joint Office	February 2023	Pending

0202	22/02/23	3.0	Xoserve (CJ) to circulate Revised EBCR Credit Rules for approval. All Committee Voting Members to respond latest by 01 March 2023.	Xoserve (CJ) / Committee Voting Members	01 March 2023	Pending
0203	22/02/23	5.0	Xoserve (BG) to communicate with Ofgem the current debt data and revert to Committee in next EBCC Meeting 24 May 2023.	Xoserve (BG)	May 2023	Pending