

# Rough Order of Magnitude (ROM) Analysis

for

## EVS 3926

# Security Requirement and invoice Payment cycle for the Trading System clearer

UNC Modification 0568

This ROM is Xoserve's response to the above Evaluation Service Request. The response is intended to support Networks involvement in the development of industry changes.

Should the request obtain approval for continuance then a Change Order must be raised for any further analysis / development.

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## Change Driver / Origin

The Unified Network Code (UNC) requires a User (including a Trading System Clearer (TSC)) to provide Security, i.e. letters of credit or cash by way of indebtedness for Energy Balancing Charges in accordance with the Energy Balancing Credit Rules (EBCR). ICE Endex as the TSC will not be able to comply with the requirement to provide Security on the basis of the M + 23 plus 12 business day invoice payment settlement cycle as is currently the case. This is because ICE Clear Europe and not ICE Endex, holds collateral provided by members of ICE Clear; ICE Clear cannot use this collateral provided by its members to provide Security as APX Commodities currently do due to them becoming European Market infrastructure Regulation (EMIR) registered, which prevents it.

## Analysis

With the potential changes to the EBCR and UNC that will be required, one option seems feasible; this is due to the implementation timescales that will be required.

## Proposed Solution

The Market Operator continues to provide the MOS & MOT files on a daily basis, which includes the net Trade Sell (TTS) position and Trade Buy (TTB) daily position. Both credit and debits are then settled the following day (offline) by either the Market Operator (debit) or Xserve (credit). This will be facilitated via manual Adhoc invoicing by Xserve processed daily. To ensure all charges are billed correctly, the existing Energy Balancing Invoice (EBI) and EBI Neutrality smear will continue to be processed; however the Market Operator TTS & TTB online invoice will be suppressed and reconciled to the daily charges already collected. These suppressed charges will continue to feed into Neutrality smear 'as is'.

The proposed solution and National Grid due to the reduction in the billing cycle reduces the amount of exposure to the Transmission System Operator (TSO) / TSC.

## ROM Costs & Timescales

*Note: ROM information is not based on any formal systems analysis and should be used with caution.*

### Estimated costs:

The preferred solution option will be a Zero cost option as no system development will be required. However, to inform the economic case, run the business costs will increase by £25k per annum

### Estimated duration:

- Not applicable

### Timescale guidance:

- Implementation of UNC Modification 0568 – 'Security Requirements and Invoice Payment Settlement Cycle for the Trading System Clearer' solution is expected to be 1<sup>st</sup> May 2016

### Project costing assumptions:

- Due to this change being Zero cost development, no Project costs are expected.

### Funding assumptions:

- The 'run the business' costs will increase to cover the costs of this new process.

**Assumptions**

- The daily net value of The TTS and TTB charges will be billed and settled.
- A standard clause to the new daily Ad Hoc invoice will be included, so the appropriate due date can be set.
- The new daily Ad Hoc is assumed to be a UK Link Class 1 change and there will be an obligation to notify UK Link committee, ideally within 3 months.
- MOS & MOT files can be received every day; any values received on a non-business day will be billed the next available business day.

**Concerns**

- Any online system changes to change the payment due date that may be required before UKLP implementation, will be necessary to be made again in new UK Link.
- Payment due date will be incorrectly published on the Invoice.

**Impacts on Xoserve**

- An additional Full Time Equivalent (FTE) resource will be required.
- The introduction of a manual and daily process will add significant risk to performance against Key Performance Indicators.
- The new process will impact the Energy Balancing Invoice team, Neutrality Finance team and the Ad Hoc invoice team.