

Energy Balancing Credit Committee Meeting

20 November 2009

Teleconference

Participants

Joint Office (Non voting)

John Bradley (JB) Chair

Shippers (Voting)

Carl Wilkes (CW)

Chris Faulkner (CF)

David Trevallion (DT)

Gary Russell (GR)

John Costa

Richard Fairholme (RF)

RWE

Centrica

Scottish and Southern
Energy

Corona Energy

EDF Energy

E.ON UK

xoserve (Non Voting)

Loraine O'Shaughnessy(LOS)

Mark Cockayne (MC)

Richard Creswell (RC)

Apologies

Gavin Ferguson (GR)

Raihana Braimah (RB)

Corona Energy

Ofgem

1. Introduction

JB welcomed the members to the meeting, which was quorate. It was confirmed that CF was attending as alternate for GF. JB also referred to a conversation with RB concerning attendance of Ofgem Representatives at the Committee. Unfortunately, due to staff constraints, Ofgem would not be attending or phoning in to meetings in the future. However, RB did confirm that Ofgem would be available to discuss specific issues if the need arose.

2. Minutes and Actions from the Previous Meeting

2.1 Minutes

Minutes of the meeting held on 23 October 2009 were agreed. Andrew Pester of Ofgem had made some proposed amendments to the minutes of 22 May 2009, which the Joint Office will circulate to members. However, due to the passage of time, members were unable to confirm whether these changes would improve the accuracy of the minutes and so it was agreed that they would not be amended.

2.2 Actions Update

EBC02/04: xoserve (MC) to draft a UNC Modification Proposal for revised Further Security Request provisions. **Carried Forward**

EBC 01/10: xoserve (MC and LOS) to put together a timeline on how this proposal would operate. Cascade to members for further comments

xoserve will circulate an updated presentation on this Modification Proposal. LOS and MC explained the background of this Proposal. **Carried Forward**

EBC 02/10: xoserve (MC) to circulate a formal request for a decision on taking up the offer of purchasing Lehman's energy balancing debt. This is to be accompanied by information on the analysis carried out on Enron.

This was sent out

Closed

EBC 03/10: Members to respond to xoserve within seven days of receipt of the formal request

Members had responded and these responses prompted the following discussion: **Closed**

GR suggested that there were differences between the way in which Enron's debt was settled and the current proposal so we should not draw any precedents from this. CF said that Centrica had been approached with a number of offers to take-on Lehman's debt for between 40% and 45% but there are a number of differences between the terms of these offers that need to be taken into account before reaching any decision. He suggested taking external advice if we were considering going down this path and potentially take a competitive approach if we decided to go forward. MC reminded the Committee that an American firm of solicitors had been retained and it was them who had been contacted. There is a benefit in getting the funds now rather than wait a number of years for it to be recouped but it should be taken into account that offers would be set at a level where the organisation concerned would expect to profit. DT expressed concern that justifying taking only 40% so early in the process would be difficult, when we might gain more.

MC suggested contacting the American Solicitors to assess the options such as a tender for the debt. RF responded that he would prefer a written evaluation of the offer made. A tender process, with the explanations we would have to make in such a tender, might yield less than accepting the offer. GR agreed that we should not ignore the offer. MC reminded the meeting that the debt position was complex. He also reminded the Committee that there would be a charge associated with a formal evaluation. It was agreed therefore that xoserve approach the American solicitors.

Action EBC 01/11: xoserve (MC) to contact the American solicitors for a written evaluation of the offer received in connection with the Lehman's debt.

EBC 04/10: xoserve (MC) to check whether specific terminated names can be used in the slide pack circulated. Carried Forward.

3. Operational Update

LO provided the following Operational update:

Cash Call Notices:

During October 2009, two Cash Call Notices (CCNs) were issued, both of which were paid on the due date. No Failure to Pay (FTP) Notices were issued.

Further Security Requests:

There was one Further Security Requests issued during October 2009. |

Settlement:

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
September	99.99%	100.00%
October	99.98%	100.00%
Rolling 12 Months	99.17%	100.00%

4. Modification Proposals

A proposal for changes to Further Security Requests had already been discussed.

National Grid NTS are working on a Proposal for receiving payment for credit information from Moody's and Standard and Poors.

Modification Proposal 0233V

A further meeting has taken place with Ofgem. More detail and clarity was requested which will be discussed with National Grid legal department.

5. Energy Balancing Credit Rules

No further action required. As there had been no further nominations for the Committee, it was decided that it would be inappropriate to review the rules on quora.

6. Any Other Business

LOS reported the following:

A further dividend of £5,246.11 had been received in respect of the Enron debt. This will be smeared in the October 2009 Energy Balancing Invoice to be issued on 2nd December 2009.

Applications had been received from the following Users for voluntary discontinuance. All of these had discharged all their liabilities:

- Constellation Energy Commodities Group Inc Shipper (COE),
- UBS Limited (UBS), and
- UBS AG London Branch (UBG).

JC recognised the possibility that EDF may have an interest in Constellation Energy so would not participate in the vote on that User.

With the exception of this abstention, the Committee agreed UNANIMOUSLY to the applications.

Members agreed to notify xoserve (LOS) of their emergency contact details over the Christmas period (email: loraine.oshaughnessy@xoserve.com)

7. Next Meeting

The next meeting will be held at 10:00 am on Friday 18 December 2009. This will be a teleconference.

Action Log – Energy Balancing Credit Committee: 20 November 2009

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
EBC 02/04	17/04/09	5	Draft a UNC Modification Proposal for revised Further Security Request provisions	xoserve (MC) and Members	Draft completed and agreed in principle, Timelines to be provided Carried Forward
EBC 01/10	23/10/09	2.2	Put together a timeline on how this proposal would operate. Cascade to members for further comments	xoserve (MC and LOS)	To be issued Carried Forward
EBC 02/10	23/10/09	6.1	Circulate a formal request for a decision on taking up the offer of purchasing Lehman's energy balancing debt. This is to be accompanied by information on the analysis carried out on Enron.	xoserve (MC)	This was issued Closed
EBC 03/10	23/10/09	6.1	Respond to xoserve within seven days of receipt of the formal request.	All members	Responses received Closed
EBC 04/10	23/10/09	6.2	Check whether specific terminated names can be used in the slide pack circulated	xoserve (MC)	Under discussion Carried Forward
EBC 01/11	20/11/09		Contact the American solicitors for a written evaluation of the offer received in connection with the Lehman's debt.	xoserve (MC)	