

**Energy Balancing Credit Committee Meeting**  
**23 October 2009**  
**Energy Networks Association**

**Participants**

**Joint Office (Non voting)**

John Bradley (JB) Chair

**Shippers (Voting)**

Richard Street (RS)

David Trevallion (DT)

Gavin Ferguson (GF)

Richard Fairholme (RF)

Corona Energy

Scottish and Southern  
Energy

Centrica

E.ON UK

**xoserve (Non Voting)**

Loraine O'Shaughnessy  
(LOS)

Mark Cockayne (MC)

**Shippers (Non Voting)**

**Ofgem**

Raihana Braimah (RB) (part  
time)

**Apologies**

Gary Russell (GR)

John Costa (JC)

Carl Wilkes (CW)

Corona Energy

EDF Energy

RWE

**1. Introduction**

JB welcomed the members to the meeting, which was quorate. He reported a conversation the previous day with Steve Gordon of Scottish Power who had indicated a nomination for Audrey Shindler would shortly be submitted.

DT indicated that Julie McNay will be his alternate for 2009/10. Other alternates already nominated are Peter Bolitho for RF, Michael Doherty for Gavin Ferguson and Richard Street for Gary Russell. The other members were encouraged to appoint alternates. DT agreed to convey the Committee's thanks to Julie McNay for her involvement on the Committee.

**2. Minutes and Actions from the Previous Meeting**

**2.1 Minutes**

Minutes of the meeting held on 18 September 2009 were agreed. MC advised the meeting that there had been an error in the Operational Statistics pack. In August, there was only 1 Further Security Request and September there had been no Further Security Requests. The packs would be reissued on the Joint Office website

**2.2 Actions Update**

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

This had been circulated. The draft Proposal sought to avoid repeated Further Security Requests. The value of the security held would be scaled back so necessitating further security to be placed by the User. GF supported this as it would provide a clear incentive for Users to put in place adequate security. LOS pointed out that the current 90 day peak security level would be extended to twelve months when the agreed trigger and subsequent triggers had been hit. In support, MC gave examples of Users that would be affected

by this change. MC indicated that there is a trend towards Users putting in place cash instead of letters of credit. Users do not want to use the option of a deposit deed because of registration costs. MC reported that the Transporters are considering the option of a non-registered deposit deed. RS suggested that, by extending the period of risk, this would also increase the credit requirement. MC acknowledged that the effect would be similar to the draft proposal but increasing the period of risk would entail extending the billing cycle, which would require a Code Modification. MC suggested that whilst there might be an increased risk of default there should not be an increased risk of failure. GF emphasised the need for Users to put in place adequate security and if a User was encountering underlying credit problems the Proposal would serve to alert the Committee. This would allow the Committee to agree actions that would be beneficial both to the User and Users in general. MC highlighted that recent occurrences of Users discussed at this Committee where there had been aspects of inexperience identified. He acknowledged, however, that in the past there had been experiences of more deliberate commercial action.

There was a consensus in support for extending the current 90 days to twelve months where Users had not previously put in place sufficient security. It was explained that the discount of 20% of the face value would apply to whatever security level was in place when the third trigger occurred. As now, the Transporters would be re-baselining the User's security every 28 days. MC offered to provide details on timelines for the committee to discuss. It was confirmed that discounting would not reduce the amount of security in place.

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

RS indicated that Corona would sympathetically consider sponsoring the change.

**Action EB04/06B:** Members to respond to xoserve as soon as possible with comments/approval of immediate implementation of the new wording by Friday 25/09/09.

This had been done and this version of the rules has been implemented and published on the Joint Office Website **Closed**

**EBC 01/09:** Add 'quoracy' as an item to the next meeting's agenda.

This item had been added to the agenda **Closed**

There was then a discussion on a previous action that had been closed. This was to investigate publication of institutions with credit available. MC had been advised that there were clear confidentiality issues that prevented publication of this information. The Committee accepted this and the action was not re-opened.

### 3. **Operational Update**

MC provided the following Operational update:

#### **Cash Call Notices:**

During September 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 were no Further Security Requests issued during September 2009. |

**Settlement:**

The following performance was reported:

Month	Payment Due Date	Payment Due Date +2
August	98.36%	100.00%
September	99.99%	100.00%
Rolling 12 Months	99.19%	100.00%

The Committee commented that this performance was very good and this should be acknowledged by the industry. Neither of the companies reviewed in the past year due to issues with imbalances are causing any concern.

**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 draft of a replacement proposal had been circulated and a meeting held with Ofgem. A response from Ofgem on whether it meets their concerns with 0233V is awaited and will be conveyed to the Committee. DT highlighted one typographical error (2009 should be 2008). It was agreed that having a modification proposal in the background to be tabled, as necessary, on an urgent basis should be considered if the implementation of a 0233V replacement was extended.

**5. Energy Balancing Credit Rules**

The Committee agreed that with the current membership of six members made a quorum of five impracticable. It was agreed that this would be reviewed when further members were appointed by the Gas Forum.

**6. Any Other Business**

**6.1 Lehman's Debt**

An offer had been received to buy the Lehman's debt at approximately 40% of the debt value. This had also occurred with Enron and that offer had been accepted. The Transporters had been advised that it was too early to assess whether such an offer should be taken up or not. RS declared that Corona may have an interest in the company making the offer and would not be voting. One aspect of the failure was that no specific balancing action had taken place. The Transporters had been advised that if the offer was queried too much it might be withdrawn. GF had not been given any direction by his company on whether to accept the offer or not and other members expressed a similar difficulty. It was therefore agreed, rather than coming to a decision that EBCC members be asked to respond within the next seven days of the circulation of a request from the Transporters. MC agreed to review the work done with Enron on analysis of the position and circulate this with the request. It was considered that there was no specific time bounds but this would be clarified in the note.

**Action 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.**

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

## **6.2 Winter Preparations Presentation**

MC gave the Winter Preparations presentation. There was some discussion on the timescale of Cash Call and it was recognised that this was a “best case” scenario. The current imbalance calculation would add up to ten days prior to day 0 and the Supplier of Last Resort process was uncertain and would probably only apply to domestic consumers. The Further Security request process is also quite prolonged. MC also identified previous complications with revocation of licence.

On discontinuations, currently there are approximately fourteen voluntary in prospect.

MC clarified that on termination, the Transporters issue an ANS notice to all Users.

In reviewing Supplier of Last Resort arrangements, it was identified that Ofgem had updated their guidance note. RS pointed out potential interaction between End User undertakings and current UNC discussions, which may potentially address some of the current issues.

Finally, MC reviewed seven examples of terminations and the learning points. GF asked for specific names to be included of Termination when the slides were circulated to Users. MC agreed to check on this but identified that legal services had concerns when the question was asked previously.

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

## **7. Next Meeting**

The next meeting will be held at 10:00 am on Friday 20 November 2009. This will be a teleconference.

## Action Log – Energy Balancing Credit Committee: 23 October 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 <b>Carried Forward</b>
EBC 04/06B	22/06/09	5.2	Members to respond to xoserve as soon as possible with comments/approval of immediate implementation of the new wording by Friday 25/09/09	All Members	Responses received and change implemented <b>Closed</b>
EBC 01/09	18/09/09	1.0	Add 'quoracy' as an item to the next meeting's agenda.	Joint Office (JB)	Added to agenda <b>Closed</b>
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)	
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)	
EBC 03/10	23/10/09	6.1	Respond to xoserve within seven days of receipt of the formal request.	All members	
EBC 04/10	23/10/09	6.2	Check whether specific terminated names can be used in the slide pack circulated	xoserve (MC)	